

**OFFICIAL STATEMENT DATED JANUARY 16, 2024**

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

THE BONDS HAVE BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

**NEW ISSUE-Book-Entry Only**

Insured Rating (BAM): S&P “AA” (stable outlook)  
 Underlying Rating: Moody’s “Baa2”  
 See “MUNICIPAL BOND RATING” and  
 “MUNICIPAL BOND INSURANCE” herein.

**\$3,205,000**  
**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
*(A political subdivision of the State of Texas located within Montgomery County)*  
**UNLIMITED TAX BONDS**  
**SERIES 2024**

The bonds described above (the “Bonds”) are obligations solely of Conroe Municipal Utility District No. 1 (the “District”) and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

**Dated Date: February 1, 2024**

**Due: March 1, as shown below**

**Interest Accrual Date: Date of Delivery**

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected on or about February 20, 2024) (the “Date of Delivery”), and is payable each September 1 and March 1, commencing September 1, 2024, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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, the 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. See “BOOK-ENTRY-ONLY SYSTEM.”



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. See “MUNICIPAL BOND INSURANCE” herein.

**MATURITY SCHEDULE**

| Due<br>(March 1) | Principal<br>Amount | Interest<br>Rate   | Initial<br>Reoffering<br>Yield (c) | CUSIP<br>Number (b) | Due<br>(March 1) | Principal<br>Amount | Interest<br>Rate | Initial<br>Reoffering<br>Yield (c) | CUSIP<br>Number (b) |
|------------------|---------------------|--|------------------------------------|---------------------|------------------|---------------------|------------------|------------------------------------|---------------------|
| 2026             | \$ 150,000          | 4.00%  | 3.20%                              | 208425 GS1          | 2033             | \$ 150,000 (a)      | 3.00%            | 3.40%                              | 208425 GZ5          |
| 2027             | 150,000             | 4.00   | 3.10                               | 208425 GT9          | 2034             | 150,000 (a)         | 3.25             | 3.50                               | 208425 HA9          |
| 2028             | 150,000             | 4.00   | 3.10                               | 208425 GU6          | 2035             | 150,000 (a)         | 3.25             | 3.60                               | 208425 HB7          |
| 2029             | 150,000             | 4.00   | 3.15                               | 208425 GV4          | 2036             | 155,000 (a)         | 3.50             | 3.70                               | 208425 HC5          |
| 2030             | 150,000             | 4.00   | 3.20                               | 208425 GW2          | ***              | ***                 | ***              | ***                                | ***                 |
| 2031             | 150,000 (a)         | 3.00   | 3.30                               | 208425 GX0          | 2045             | 155,000 (a)         | 4.00             | 4.09                               | 208425 HM3          |
| 2032             | 150,000 (a)         | 3.00   | 3.35                               | 208425 GY8          | 2046             | 155,000 (a)         | 4.00             | 4.10                               | 208425 HN1          |
|                  | \$310,000           | Term Bonds due March 1, 2038 (a), 208425 HE1 (b), 3.75% Interest Rate, 4.00% Yield (c) |                                    |                     |                  |                     |                  |                                    |                     |
|                  | \$310,000           | Term Bonds due March 1, 2040 (a), 208425 HG6 (b), 4.00% Interest Rate, 4.00% Yield (c) |                                    |                     |                  |                     |                  |                                    |                     |
|                  | \$310,000           | Term Bonds due March 1, 2042 (a), 208425 HJ0 (b), 4.00% Interest Rate, 4.04% Yield (c) |                                    |                     |                  |                     |                  |                                    |                     |
|                  | \$310,000           | Term Bonds due March 1, 2044 (a), 208425 HL5 (b), 4.00% Interest Rate, 4.08% Yield (c) |                                    |                     |                  |                     |                  |                                    |                     |

- (a) Bonds maturing on or after March 1, 2031, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on March 1, 2030, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. The Term Bonds (as defined herein) also are subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter (as defined herein) shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See “LEGAL MATTERS.” Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about February 20, 2024.

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

Build America Mutual Assurance Company ("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 the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.1505% of the par value thereof which resulted in a net effective interest rate of 4.030094%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

### **Prices and Marketability**

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

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

### **Securities Laws**

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

## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

#### *Description...*

The District is a political subdivision of the State of Texas, created by the Texas Commission on Environmental Quality (the "TCEQ") effective July 11, 2006 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District currently includes approximately 570 acres of land. See "THE DISTRICT."

#### *Location...*

The District consists of two non-contiguous tracts. Approximately 432 acres within the District (the "Southern Tract") are located approximately 40 miles north of the central downtown business district of the City of Houston and approximately two miles southeast of the Interstate Highway 45 within the city limits of the City of Conroe. The Southern Tract of the District is bisected east to west by Texas State Highway Loop 336, and is bounded to the west by Farm-to-Market Road 1314. The development within the Southern Tract of the District currently consists of residential development. The remaining approximately 138 acres in the District (the "Northern Tract") are located approximately 45 miles north of the central downtown business district of the City of Houston, approximately five and one-half miles northwest of the Southern Tract and approximately three miles northwest of the city center of the City of Conroe. The Northern Tract of the District is bounded to the east by Interstate Highway 45 and on the south by Farm-to-Market Road 3083 and Teas Nursery Road and currently consists of commercial development. The District lies wholly within the corporate limits of the City of Conroe and boundaries of Conroe Independent School District. See "THE DISTRICT—Description and Location" and "AERIAL PHOTOGRAPH."

#### *The Developers and Major Property Owners...*

BGM Land Investments Ltd., a Texas limited partnership ("BGM") whose general partner is G.P. Landvest L.L.C., originally owned approximately 198 acres of developable land within the District. According to BGM, it sells such developable land to Woodmere Development Co., Ltd., a Texas limited partnership ("Woodmere"), the general partner of which is Woodmere GP, L.L.C. a Texas limited liability company, for future residential development on an as needed basis. After developing the land, Woodmere sells the developed lots on an as needed basis to Long Lake Ltd. ("Long Lake"), a Texas limited partnership dba Lake Ridge Builders and Briarwood Homes, which build and sell houses in the District. BGM, Woodmere and Long Lake are all under common ownership and management. As of the date hereof, BGM has sold approximately 135 acres to Woodmere and Woodmere has completed Barton Creek Ranch, Section One (111 lots), Barton Creek Ranch, Section Two (40 lots), Barton Creek Ranch, Section Three (61 lots), Barton Creek Ranch, Section 4 (52 lots), Barton Creek Ranch, Section 5 (57 lots), Barton Creek Ranch, Section 6 (58 lots) and Barton Creek Ranch, Section 7 (55 lots). BGM continues to own approximately 63 acres within the District.

The developer of approximately 99 acres developed as Mackenzie Creek, Sections One and Two (504 lots) is Mackenzie Creek Ltd. ("Mackenzie Creek"), a Texas limited partnership. The general partner of Mackenzie Creek is Camcorp Management Inc. and the limited partner is Camcorp Interests, Ltd. The general partner of Legend Classic Homes, Ltd. (the builder in Mackenzie Creek) is Legend Home Corp., which is owned by Camcorp Interests, Ltd. Camillo ML 2021-SFR LLC is a special purpose entity formed by Camcorp Management Inc. for the purpose of owning approximately 134 single-family residential rental properties within Mackenzie Creek, Sections One and Two. See "THE DISTRICT—Status of Development," "TAX DATA—Principal Taxpayers," and "INVESTMENT CONSIDERATIONS—Rental Homes." Mackenzie Creek has completed development in the District and does not own any land in the District for future development. See "THE DEVELOPERS AND MAJOR PROPERTY OWNERS—Mackenzie Creek Ltd."

Teas Crossing West Commercial, LLC, a Texas limited liability company (“Teas Crossing West”) has developed approximately 22 acres of an approximately 65 acre commercial/retail site located within the District as Teas Crossing Town Center. Teas Crossing West is a single purpose entity created for the purpose of developing Teas Crossing Town Center. Teas Crossing West was formed by Read King Commercial Real Estate (“Read King”). Read King is Houston-based full-service commercial real estate firm. See “THE DISTRICT—Status of Development.”

Approximately 8 acres of the approximate 22 acres developed by Teas Crossing West property was transferred to Teas Crossing Phase I LLC, a Texas limited liability company (“Teas Crossing Phase I”), which is a single purpose entity formed by Read King for the sole purpose of financing the Teas Crossing Phase I Property. After the transfer to Teas Crossing Phase I, Teas Crossing West continues to own approximately 35 developed acres where no commercial improvements have been constructed to date.

JC Penney Properties Inc. purchased approximately 10 acres of land from Teas Crossing West in 2008, where it constructed an approximately 105,000 square foot JC Penney store that serves as the anchor for the Teas Crossing Town Center. Subsequently, in 2021, CTL Propco I LP purchased approximately 10 acres of land from JC Penney Properties Inc. See “TAX DATA—Principal Taxpayers.”

Lovie, L.L.C owns approximately 75 acres of undeveloped land within the District. No development has commenced on the acreage within the District owned by Lovie, L.L.C. to date.

Woodmere and Mackenzie Creek are collectively referred to herein as the “Developers.” See “THE DEVELOPERS AND MAJOR PROPERTY OWNERS.”

*Status of Development...*

Residential development in the District includes Barton Woods (404 single-family residential lots on approximately 136 acres), Barton Creek Ranch (434 single-family residential lots on approximately 135 acres) and Mackenzie Creek (504 single-family residential lots on approximately 99 acres). As of November 30, 2023, 969 homes were completed of which 942 were occupied, 66 homes were under construction or in a builder’s name and 307 developed lots were available for home construction in the District. According to the District’s 2023 tax rolls, the average homestead value in the District is approximately \$317,961. The average sale price for homes in Barton Creek Ranch and Mackenzie Creek is approximately \$322,000 and approximately \$261,000, respectively. See “THE DISTRICT—Land Use” and “—Status of Development.”

Commercial/retail development on approximately 67 acres within the District includes Teas Crossing Town Center, anchored by a 105,000 square foot JC Penney (approximately 10 acres) and includes 94,287 square feet of multi-tenant retail pad sites (approximately 12 acres). According to Read King, Teas Crossing Town Center is approximately 70% leased and includes an Olive Garden, Verizon Wireless, T-Mobile, Nails of America, Firehouse Subs, DaVita Dialysis, Weng’s Wok Asian Bistro, Conroe Emergency Center, Massage Envy Spa, Lordex Spine Institute, The Dental Center of Conroe, SAS Comfort Shoes, Subway, Cherry Berry, and Benihana. In addition, a Shell gas station/convenience store is under construction on approximately 2 acres with completion expected in 2024.

The remainder of the District consists of approximately 96 acres of developable but undeveloped land and approximately 37 undevelopable acres (rights-of-way, detention ponds, drainage easements, parks and open space, permanent flood plain and drill sites). See “THE DISTRICT—Land Use” and “—Status of Development.”

*Homebuilding...*

Lake Ridge Builders and Briarwood Homes are building homes in Barton Creek Ranch, and Legend Homes is the sole homebuilder in Mackenzie Creek. See “THE DISTRICT—Homebuilding.”

*Water and Wastewater...*

Pursuant to a Utility Agreement (defined herein) between the District and the City of Conroe (the “City”), the City provides retail water and sewer services to the residents in the District and all revenues from the collection of charges for water and sewer services are paid directly to the City. See “UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE” and “THE SYSTEM.”

*Payment Record...* The District has previously issued six series of unlimited tax bonds totaling \$24,670,000 principal amount, and one series of unlimited tax refunding bonds totaling \$3,305,000, of which \$22,730,000 is collectively outstanding as of the date hereof (the “Outstanding Bonds”). The District has never defaulted on its debt service obligations. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).”

## THE BONDS

*Description...* The \$3,205,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on March 1 in each of the years 2026 through 2036, both inclusive, and 2045 through 2046, both inclusive, and as term bonds maturing on March 1 in each of the years 2038, 2040, 2042 and 2044 (the “Term Bonds”) in the principal amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery, and is payable September 1, 2024, and each March 1 and September 1 thereafter, until the earlier of maturity or redemption. See “THE BONDS.”

*Book-Entry-Only System...* The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

*Redemption...* Bonds maturing on or after March 1, 2031 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on March 1, 2030, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

*Use of Proceeds...* Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” to pay developer interest and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds.

*Authority for Issuance...* The Bonds are the seventh series of bonds issued out of an aggregate of \$29,560,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of constructing and/or acquiring water, wastewater and drainage facilities. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance,” “—Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

*Source of Payment...* Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City, Montgomery County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”

*Municipal Bond Rating and Municipal Bond Insurance...* S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM” or the “Insurer”). Moody’s has also assigned an underlying rating of “Baa2” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

|  |   |
|--|---|
| <i>Qualified Tax-Exempt Obligations...</i> | The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS—Qualified Tax-Exempt Obligations.” |
| <i>Bond Counsel...</i>                     | Allen Boone Humphries Robinson LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS” and “TAX MATTERS.”  |
| <i>Financial Advisor...</i>                | Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”   |
| <i>Disclosure Counsel...</i>               | McCall, Parkhurst & Horton L.L.P, Houston, Texas.   |
| <i>Paying Agent/Registrar...</i>           | The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”  |

### **INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”



## SELECTED FINANCIAL INFORMATION (UNAUDITED)

|  |  |     |
|--|--|-----|
| 2023 Taxable Assessed Valuation.....   | \$349,580,273  | (a) |
| Estimated Taxable Assessed Valuation as of November 1, 2023.....                           | \$388,478,008  | (b) |
| Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds).....                   | \$25,935,000   | (c) |
| Estimated Overlapping Debt .....   | <u>25,165,390</u>  | (d) |
| Gross Direct Debt and Estimated Overlapping Debt.....                                      | \$51,100,390   | (d) |
| Ratios of Gross Direct Debt to: .....  |  |     |
| 2023 Taxable Assessed Valuation.....   | 7.42%  |     |
| Estimated Taxable Assessed Valuation as of November 1, 2023 .....                          | 6.68%  |     |
| Ratios of Gross Direct Debt and Estimated Overlapping Debt to: .....                       |  |     |
| 2023 Taxable Assessed Valuation.....   | 14.62%   |     |
| Estimated Taxable Assessed Valuation as of November 1, 2023 .....                          | 13.15%   |     |
| Debt Service Funds Available as of December 19, 2023 .....                                 | \$524,871  |     |
| Construction Funds Available as of December 19, 2023 .....                                 | \$ 35,739  | (e) |
| Operating Funds Available as of December 19, 2023 .....                                    | \$225,588  | (e) |
| 2023 Debt Service Tax Rate.....  | \$0.47   |     |
| 2023 Maintenance and Operations Tax Rate.....  | <u>0.13</u>  |     |
| 2023 Total Tax Rate.....   | \$0.60   |     |
| Average Annual Debt Service Requirement (2024-2046).....                                   | \$1,538,511  | (f) |
| Maximum Annual Debt Service Requirement (2026).....  | \$1,817,683  | (f) |
| Tax Rates Required to Pay Average Annual Debt Service (2024-2046) at a 95% Collection Rate |  |     |
| Based upon 2023 Taxable Assessed Valuation.....  | \$0.47   | (g) |
| Based upon Estimated Taxable Assessed Valuation as of November 1, 2023 .....               | \$0.42   | (g) |
| Tax Rates Required to Pay Maximum Annual Debt Service (2026) at a 95% Collection Rate      |  |     |
| Based upon 2023 Taxable Assessed Valuation.....  | \$0.55   | (g) |
| Based upon Estimated Taxable Assessed Valuation as of November 1, 2023 .....               | \$0.50   | (g) |
| Status of Development as of November 30, 2023 (h):   |  |     |
| Homes Completed (942 Occupied, 27 unoccupied).....   | 969  |     |
| Homes Under Construction or in a Builder's Name.....                                       | 66   |     |
| Lots Available for Home Construction .....   | 307  |     |
| Commercial .....   | (h)  |     |
| Estimated Population .....   | 3,297  | (i) |
| (a)  | The Montgomery Central Appraisal District (the "Appraisal District") has certified \$319,568,593 of taxable assessed value and an additional \$30,011,680 remains uncertified. The 2023 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is certified value plus uncertified value. See "TAXING PROCEDURES."  |     |
| (b)  | Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on November 1, 2023. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2023 and November 1, 2023, will be certified as of January 1, 2024. See "TAXING PROCEDURES." |     |
| (c)  | After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."  |     |
| (d)  | See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt" and "—Overlapping Taxes."   |     |
| (e)  | The District will use approximately \$35,000 of surplus Capital Projects Funds and approximately \$65,000 of surplus Operating Funds in connection with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."  |     |
| (f)  | See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."   |     |
| (g)  | See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."  |     |
| (h)  | See "THE DISTRICT—Land Use" and "—Status of Development."  |     |
| (i)  | Based upon 3.5 persons per occupied single-family residence.   |     |

## OFFICIAL STATEMENT

### CONROE MUNICIPAL UTILITY DISTRICT NO. 1

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

**\$3,205,000**

### UNLIMITED TAX BONDS SERIES 2024

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Conroe Municipal Utility District No. 1 (the “District”) of its \$3,205,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, elections held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, BGM Land Investments Ltd, a Texas limited liability partnership (“BGM”), Mackenzie Creek Ltd. (“Mackenzie Creek”), a Texas limited partnership, Woodmere Development Co., Ltd, a Texas limited partnership (“Woodmere”), and development activity in the District. Woodmere and Mackenzie Creek Ltd are collectively referred to herein as the “Developers.” All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

## THE BONDS

### Description

The Bonds will be dated February 1, 2024 and will accrue interest from the Date of Delivery, with interest payable each September 1 and March 1, beginning September 1, 2024 (the “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

### Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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, as defined in the Bond Resolution.

### Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remains outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City of Conroe (the “City”), or any entity other than the District.

**Funds**

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

The proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund, to be used for the purpose of paying for certain construction costs, paying developer interest and paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund after completion of construction of all Water, Sewer, and Drainage Facilities will be used as described in the Bond Resolution or ultimately transferred to the Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

**No Arbitrage**

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

**Redemption Provisions**

*Mandatory Redemption:* The Bonds maturing on March 1 in each of the years 2038, 2040, 2042 and 2044 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on March 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" below):

| <u>\$310,000 Term Bonds</u> |                  | <u>\$310,000 Term Bonds</u> |                  | <u>\$310,000 Term Bonds</u> |                  |
|-----------------------------|------------------|-----------------------------|------------------|-----------------------------|------------------|
| <u>Due March 1, 2038</u>    |                  | <u>Due March 1, 2040</u>    |                  | <u>Due March 1, 2042</u>    |                  |
| <u>Mandatory</u>            | <u>Principal</u> | <u>Mandatory</u>            | <u>Principal</u> | <u>Mandatory</u>            | <u>Principal</u> |
| <u>Redemption Date</u>      | <u>Amount</u>    | <u>Redemption Date</u>      | <u>Amount</u>    | <u>Redemption Date</u>      | <u>Amount</u>    |
| 2037                        | \$155,000        | 2039                        | \$155,000        | 2041                        | \$155,000        |
| 2038 (maturity)             | 155,000          | 2040 (maturity)             | 155,000          | 2042 (maturity)             | 155,000          |
| <br>                        |                  |                             |                  |                             |                  |
| <u>\$310,000 Term Bonds</u> |                  | <u>\$310,000 Term Bonds</u> |                  | <u>\$310,000 Term Bonds</u> |                  |
| <u>Due March 1, 2044</u>    |                  | <u>Due March 1, 2044</u>    |                  | <u>Due March 1, 2044</u>    |                  |
| <u>Mandatory</u>            | <u>Principal</u> | <u>Mandatory</u>            | <u>Principal</u> | <u>Mandatory</u>            | <u>Principal</u> |
| <u>Redemption Date</u>      | <u>Amount</u>    | <u>Redemption Date</u>      | <u>Amount</u>    | <u>Redemption Date</u>      | <u>Amount</u>    |
| 2043                        | \$155,000        | 2043                        | \$155,000        | 2043                        | \$155,000        |
| 2044 (maturity)             | 155,000          | 2044 (maturity)             | 155,000          | 2044 (maturity)             | 155,000          |

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

*Optional Redemption:* The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on March 1, 2030, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written 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 Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

**Authority for Issuance**

At bond elections held within the District, voters of the District have authorized the issuance of an aggregate of \$29,560,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring water, wastewater, and drainage facilities. The Bonds are issued pursuant to such authorization. The TCEQ has approved the issuance of the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in “USE AND DISTRIBUTION OF BOND PROCEEDS.”

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, elections held within the District and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of 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 or upon the adequacy of the information contained in this OFFICIAL STATEMENT.

**Registration and Transfer**

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.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

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

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered owners of lost, stolen or destroyed Bonds will be required to pay the District's costs to replace such Bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

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

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

### **Issuance of Additional Debt**

At an election held on November 7, 2006, the District's voters authorized the issuance of \$22,360,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring water, wastewater and drainage facilities and \$22,360,000 principal amount of unlimited tax bonds for refunding outstanding debt. At an additional election on May 9, 2009, the District's voters authorized the issuance of \$7,200,000 principal amount of unlimited tax bonds for the purpose of construction and/or acquiring water, wastewater and drainage facilities and refunding of the same. The District could authorize additional amounts. After the issuance of the Bonds, \$1,685,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and refunding will remain authorized and unissued from the May 9, 2009 election and \$22,145,000 principal amount of the unlimited tax refunding bonds will remain authorized but unissued from the November 7, 2006 election.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) development of a park plan by the District; (b) approval of the park plan and park bonds by the voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the principal amount of park bonds sold by the District is limited to one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not more than three percent (3%) of the value of the taxable property in the District. The Board has not considered calling an election at this time for such purposes.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, enter into amendments to the existing Utility Agreement (defined herein) specifying the purposes for which the District may issue bonds, and obtain approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" nor calling such an election at this time.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purposes by the qualified voters in the District; (b) approval of the master plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

## **Dissolution by the City of Conroe**

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District must conform to a City ordinance consenting to the creation of the District and its Utility Agreement with the City. In addition, the District may be dissolved by the City without the District's consent. If the District is dissolved, the City will assume the District's assets and obligations (including the Bonds). Dissolution of the District by the City is a policy matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that dissolution will or will not occur and makes no representation of the City's financial capability to pay debt service on the Bonds if such dissolution were to occur. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE" for a discussion of certain limitations on the City's right to dissolve the District.

## **Consolidation**

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

## **Remedies in Event of Default**

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

Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

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

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

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

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

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

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

## **Defeasance**

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

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

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

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

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

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

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

## **UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE**

The District operates pursuant to a Utility Functions Agreement between the City and the District, dated as of October 13, 2005, supplemented on November 15, 2007, and amended by the First Amendment to the Utility Functions Agreement, dated as of April 14, 2009 (collectively, the "Utility Agreement"). Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to accept the Facilities for operation and maintenance at the sole cost of the City in consideration for the District's financing, acquisition and construction of the Facilities. In order to secure performance by the City of its obligations under the Utility Agreement, the District retains a security interest in the Facilities transferred to the City until the District's bonds issued to acquire and construct the Facilities are paid off. It is the City's obligation to set rates and charges for the use of the Facilities and to bill and collect such rates and charges from customers of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City. All revenues from the Facilities belong exclusively to the City.



The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without capital charges of any kind. The City has covenanted to maintain the Facilities, or cause the Facilities to be maintained, in good condition and working order and to operate the same, or cause the same, to be operated in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. The City has also covenanted to comply with all contractual provisions and agreements entered into by it and with all valid rules, regulation, directions or orders by any governmental or judicial body promulgating the same.

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. Before the District can issue utility or park bonds, the District must provide the City with a copy of the TCEQ order authorizing issuance of the bonds and such order must provide that under the TCEQ's rules governing the issuance of bonds it is feasible to sell the bonds at a District tax rate that does not exceed \$1.00 per \$100 of taxable assessed valuation. The Utility Agreement expressly provides that such condition is not a limitation on the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount. However, if the District's debt service tax rate for a given year is \$0.60 per \$100 of taxable assessed valuation or higher, then the District's maintenance and operations tax rate shall not exceed \$0.05 per \$100 of taxable assessed valuation without written consent from the City. Both the City and the District levy taxes on property within the District. The Utility Agreement provides that the City pays an annual rebate to the District of a portion of the City's tax rate related to the water, wastewater and drainage in order to prevent double payment of taxes by taxpayers in the District. The annual rebate is equal to the total assessed value in the District for a given year multiplied by the portion of the City's tax rate that is attributable to water, sewer or drainage facilities, which may increase or decrease over time. Currently, the City does not attribute any of its tax rate to water, sewer and drainage facilities. Therefore, at this time the City rebates nothing to the District.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until ninety-five percent of the District's Facilities have been developed and the developers advancing funds to construct the Facilities have been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement of the District under such rules. See "THE BONDS—Dissolution by the City of Conroe."

## USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Jones-Heroy & Associates, Inc., and were submitted to the TCEQ in the District’s Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by Vogt Engineering LP (the “Engineer”) and Masterson Advisors LLC (the “Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District’s auditor. Surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

### CONSTRUCTION COSTS

|  |    |                  |
|--|----|------------------|
| • Barton Creek Ranch, Section Four - Water, Wastewater & Drainage..... | \$ | 87,032           |
| • Barton Creek Ranch, Section Five - Water, Wastewater & Drainage..... |    | 1,357,709        |
| • Barton Creek Ranch, Section Six - Water, Wastewater & Drainage.....  |    | 918,229          |
| • Engineering and Testing.....   |    | 258,415          |
| • Storm Water Pollution Prevention Plan.....                           |    | 59,857           |
| • Less: Surplus Funds (a).....   |    | <u>(100,000)</u> |

**Total Construction Costs.....** **\$ 2,581,242**

### NON-CONSTRUCTION COSTS

|                                   |    |                |
|-----------------------------------|----|----------------|
| • Underwriter's Discount (b)..... | \$ | 91,328         |
| • Developer Interest.....         |    | <u>270,603</u> |

**Total Non-Construction Costs.....** **\$ 361,931**

### ISSUANCE COSTS AND FEES

|   |    |              |
|---|----|--------------|
| • Issuance Costs and Professional Fees..... | \$ | 201,787      |
| • Bond Application Report Costs.....        |    | 44,000       |
| • State Regulatory Fees.....                |    | 11,218       |
| • Contingency (b).....                      |    | <u>4,822</u> |

**Total Issuance Costs and Fees.....** **\$ 261,827**

**TOTAL BOND ISSUE.....** **\$ 3,205,000**

(a) See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).”

(b) The TCEQ approved a maximum amount of Underwriter’s discount of 3.00%. Contingency represents the difference in the estimated and actual amount of Underwriter’s discount.

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

## THE DISTRICT

### **General**

The District is a political subdivision of the State of Texas, created by the TCEQ effective July 11, 2006, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District contains approximately 570 acres of land.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the construction of roads and related facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purposes. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. To comply with its consent ordinance for creation from the City, within which the District is located, the District is required to observe certain requirements of the City consent ordinance which: limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, park and recreational facilities and roads and related improvements; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission of the City and recorded in the real property records. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

### **Description and Location**

The District consists of two non-contiguous areas that total approximately 570 acres of land. The majority of the District's acreage consisting of approximately 432 acres located approximately 40 miles north of the central downtown business district of the City of Houston and approximately two miles southeast of Interstate Highway 45 within the city limits of the City of Conroe (the "Southern Tract"). The Southern Tract of the District is bisected east to west by Texas State Highway Loop 336 and is bounded to the west by Farm-to-Market Road 1314. The development within the Southern Tract of the District currently consists of residential development. The remaining approximately 138 acres in the District (the "Northern Tract") is located approximately 45 miles north of the central downtown business district of the City of Houston, approximately five and one-half miles northwest of the Southern Tract and approximately three miles northwest of the city center of the City of Conroe. The Northern Tract of the District is bounded to the east by Interstate Highway 45 and to the south by Farm-to-Market Road 3083 and Teas Nursery Road. The development within the Northern Tract of the District is adjacent to Interstate Highway 45 and currently consists of commercial development. The District lies wholly within the corporate limits of the City of Conroe and the Conroe Independent School District. See "AERIAL PHOTOGRAPH."

**Land Use**

The District’s land plan currently includes approximately 370 acres developed as 1,342 single-family residential lots, approximately 67 acres of commercial tracts, approximately 96 developable acres that have not been fully provided with water distribution, wastewater collection and storm drainage facilities and approximately 37 acres that are undevelopable consisting of rights-of-way, detention ponds, drainage easements, permanent floodplain, drill sites and parks, recreational and open space. The table below represents a detailed breakdown of the current acreage and development in the District.

|   | Approximate<br><u>Acres</u> | <u>Lots</u>  |
|---|-----------------------------|--------------|
| <i><u>Single-Family Residential</u></i> |                             |              |
| Barton Woods                            |                             |              |
| Section One.....                        | 10                          | 12           |
| Section Two.....                        | 57                          | 128          |
| Section Three.....                      | 28                          | 107          |
| Section Four.....                       | 41                          | 157          |
| Subtotal.....                           | <u>136</u>                  | <u>404</u>   |
| Barton Creek Ranch                      |                             |              |
| Section One.....                        | 34                          | 111          |
| Section Two.....                        | 12                          | 40           |
| Section Three.....                      | 15                          | 61           |
| Section Four.....                       | 12                          | 52           |
| Section Five.....                       | 34                          | 57           |
| Section Six.....                        | 13                          | 58           |
| Section Seven.....                      | 15                          | 55           |
| Subtotal.....                           | <u>135</u>                  | <u>434</u>   |
| Mackenzie Creek (a)                     |                             |              |
| Section One.....                        | 53                          | 253          |
| Section Two.....                        | 46                          | 251          |
| Subtotal.....                           | <u>99</u>                   | <u>504</u>   |
| Single-Family Residential Subtotal..... | <u>370</u>                  | <u>1,342</u> |
| Commercial (b).....                     | 67                          | ---          |
| Future Development.....                 | 96                          | ---          |
| Undevelopable (c).....                  | <u>37</u>                   | <u>---</u>   |
| Total.....                              | 570                         | 1,342        |

- (a) See “—Status of Development; Single-Family Residential” and “INVESTMENT CONSIDERATIONS—Rental Homes.”
- (b) Includes a Shell gas station/convenience store on approximately 2 acres under construction with completion expected in 2024.
- (c) Represents rights-of-way, detention ponds, drainage easements, permanent floodplain, drill sites and parks, recreational and open space.

**Status of Development**

*Single-Family Residential:* Residential development in the District includes Barton Woods (404 single-family residential lots on approximately 136 acres), Barton Creek Ranch (434 single-family residential lots on approximately 135 acres) and Mackenzie Creek (504 single-family residential lots on approximately 99 acres). As of November 30, 2023, 969 homes were completed of which 942 were occupied, 66 homes were under construction or in a builder’s name and 307 developed lots were available for home construction in the District. According to the District’s 2023 tax rolls, the average homestead value in the District is approximately \$317,961. The average sale price for homes in Barton Creek Ranch and Mackenzie Creek is approximately \$322,000 and approximately \$261,000, respectively.

Approximately 134 single-family residential houses constructed in Mackenzie Creek, Sections One and Two are owned by Camillo ML 2021-SFR LLC as rental properties. See “TAX DATA—Principal Taxpayers,” and “INVESTMENT CONSIDERATIONS—Rental Homes.”

**Commercial Development:** Commercial/retail development in the District includes Teas Crossing Town Center, anchored by a 105,000 square foot JC Penney (approximately 10 acres) and includes 57,619 square feet of multi-tenant retail pad sites (approximately 12 acres). According to Read King, Teas Crossing Town Center is approximately 70% leased and includes an Olive Garden, Verizon Wireless, T-Mobile, Nails of America, Firehouse Subs, DaVita Dialysis, Weng’s Wok Asian Bistro, Conroe Emergency Center, Massage Envy Spa, Lordex Spine Institute, The Dental Center of Conroe, SAS Comfort Shoes, Subway, Cherry Berry, and Benihana. In addition, a Shell gas station/convenience store is under construction on approximately 2 acres with completion expected in 2024.

The remainder of the District consists of approximately 96 acres of developable but undeveloped land and approximately 37 undevelopable acres (rights-of-way, detention ponds, drainage easements, permanent floodplain, parks and open space, and drill sites). See “—Land Use” herein.

### **Homebuilding**

Lake Ridge Builders and Briarwood Homes are building homes in Barton Creek Ranch, and Legend Homes is the sole homebuilder in Mackenzie Creek.

### **Future Development**

Approximately 96 developable acres of land in the District are not yet fully served with water distribution, wastewater collection, storm drainage facilities or paving. While the District and the Developers anticipate future development of this acreage, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District. The District’s Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$1,685,000) may not be sufficient to finance the construction of water, wastewater, and storm drainage facilities to complete the District’s water, wastewater, and storm drainage system for full development of the District. See “THE SYSTEM” and “INVESTMENT CONSIDERATIONS—Future Debt.”

## **THE DEVELOPERS AND MAJOR PROPERTY OWNERS**

### **General**

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developers should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See “INVESTMENT CONSIDERATIONS.”

### **BGM Land Investments Ltd. and Woodmere Development Co., Ltd.**

BGM Land Investments Ltd., a Texas limited partnership (“BGM”) whose general partner is G.P. Landvest L.L.C., originally owned approximately 198 acres of developable land within the District. According to BGM, it sells such developable land to Woodmere Development Co., Ltd., a Texas limited partnership (“Woodmere”), the general partner of which is Woodmere GP, L.L.C. a Texas limited liability company, for future residential development on an as needed basis. After developing the land, Woodmere sells the developed lots on an as needed basis to Long Lake Ltd. (“Long Lake”), a Texas limited partnership dba Lake Ridge Builders and Briarwood Homes, which build and sell houses in the District. BGM, Woodmere and Long Lake are all under common ownership and management. As of the date hereof, BGM has sold approximately 135 acres to Woodmere and Woodmere has completed Barton Creek Ranch, Section One (111 lots), Barton Creek Ranch, Section Two (40 lots), Barton Creek Ranch, Section Three (61 lots), Barton Creek Ranch, Section 4 (52 lots), Barton Creek Ranch, Section 5 (57 lots), Barton Creek Ranch, Section 6 (58 lots) and Barton Creek Ranch, Section 7 (55 lots). BGM continues to own approximately 63 acres within the District.

**Mackenzie Creek Ltd.**

The developer of approximately 99 acres (504 lots) being developed as Mackenzie Creek, Sections One and Two is Mackenzie Creek Ltd. (“Mackenzie Creek”), a Texas limited partnership. The general partner of Mackenzie Creek is Camcorp Management Inc., and the limited partner is Camcorp Interests, Ltd. The general partner of Legend Classic Homes, Ltd. (the builder in Mackenzie Creek) is Legend Home Corp., which is owned by Camcorp Interests, Ltd. Camillo ML 2021-SFR LLC is a special purpose entity formed by Camcorp Management Inc. for the purpose of owning approximately 134 single-family residential rental properties within Mackenzie Creek, Sections One and Two. See “THE DISTRICT—Status of Development; Single-Family Residential,” “TAX DATA—Principal Taxpayers,” and “INVESTMENT CONSIDERATIONS—Rental Homes.” Mackenzie Creek has completed development in the District and does not own any land in the District for future development.

**Teas Crossing West Commercial, LLC**

Teas Crossing West Commercial, LLC, a Texas limited liability company (“Teas Crossing West”) has developed approximately 22 acres of an approximate 65 commercial/retail acre site located within the District. Teas Crossing West is a single purpose entity created for the purpose of developing Teas Crossing Town Center. Teas Crossing West was formed by Read King Commercial Real Estate (“Read King”). Read King is Houston-based full-service commercial real estate firm.

Approximately 8 acres of the approximate 22 acres developed by Teas Crossing West (the “Teas Crossing Phase I Property”) was transferred to Teas Crossing Phase I LLC, a Texas limited liability company (“Teas Crossing Phase I”), which is a single purpose entity formed by Read King for the sole purpose of financing the Teas Crossing Phase I Property.

After the transfer to Teas Crossing Phase I, Teas Crossing West continues to own approximately 35 developed acres where no commercial improvements have been constructed to date.

**Major Property Owners**

JC Penney Properties Inc. purchased approximately 10 acres of land from Teas Crossing West in 2008, where it constructed an approximately 105,000 square foot JC Penney store that serves as the anchor for the Teas Crossing Town Center. Subsequently, in 2021, CTL Propco I LP purchased approximately 10 acres of land from JC Penney Properties Inc. See “TAX DATA—Principal Taxpayers.”

Lovie, L.L.C owns approximately 75 acres of undeveloped land within the District. No development has commenced on the acreage within the District owned by Lovie, L.L.C. to date.

**Obligations of the Developer**

There are no commitments from or obligations of the Developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or construction of improvements in the District, and there is no restriction on any landowner’s right to sell its land. Failure to construct taxable improvements on developed tracts of land or developed lots could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable property.

**MANAGEMENT OF THE DISTRICT**

**Board of Directors**

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. Two of the Board members resides in the District and three of the Board members own land within the District subject to a note and deed of trust in favor of the Lovie L.L.C, a property owner within the District. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

| <u>Name</u>        | <u>Title</u>             | <u>Term Expires</u> |
|--------------------|--------------------------|---------------------|
| Betty Boren Avery  | President                | May 2024            |
| Diane Moore        | Vice President           | May 2026            |
| Julie Crum         | Secretary                | May 2026            |
| Charles Atkinson   | Assistant Vice President | May 2024            |
| Travis H. Harrison | Assistant Secretary      | May 2026            |

## **District Consultants**

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

*Bond Counsel/Attorney:* The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

*Financial Advisor:* Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

*Auditor:* The District's financial statements for the fiscal year ending December 31, 2022, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's audited financial statements for the fiscal year ending December 31, 2022. The District has engaged McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, to audit its financial statements for the year ended December 31, 2023.

*Engineer:* The District's consulting engineer is Vogt Engineering, L.P. LJA Engineering, Inc., IDS Engineering Group and Bleyl Engineering also designed sections within the District, including Barton Woods, Barton Creek Ranch and Mackenzie Creek, respectively.

*Tax Appraisal:* The Montgomery Central Appraisal District has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

*Tax Assessor/Collector:* The District has appointed an independent tax assessor/collector to perform the tax collection function. Utility Tax Service LLC (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

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

*Utility System Operator:* The operator of the water and wastewater system serving the District is the City of Conroe.

## **THE SYSTEM**

### **Regulation**

Construction and operation of the water, sanitary sewer and storm drainage system serving the District (the "System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District, the City and Montgomery County. The TCEQ also exercises regulatory jurisdiction over portions of the System.

### **Water Supply and Wastewater Treatment**

Water supply and wastewater treatment for the District is provided by the City pursuant to the "Utility Agreement." See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE." The City has allocated water supply and wastewater capacity in an amount adequate to serve existing and proposed development in the District based on current land plan projections. In the event that the City's facilities do not have sufficient capacity to serve the District, the City has agreed to make any necessary improvements to provide such capacity at no cost to the District.

### **Surface Water Conversion**

The District is within the boundaries of the Lone Star Groundwater Conservation District (the "Conservation District") which regulates groundwater withdrawal. Because the District is served by the City with water, the District has no potable water wells subject to regulation by the Conservation District.

The City is a participant in the San Jacinto River Authority (SJRA) Groundwater Reduction Plan (GRP). The SJRA constructed a surface water treatment facility and transmission system to provide treated surface water to the City. The transmission system is interconnected to the City's water system.

## **Water Distribution, Wastewater Collection and Storm Drainage Facilities**

The District has constructed water distribution, wastewater collection, storm drainage and paving facilities to serve 1,342 single-family residential lots and approximately 67 acres of commercial tracts. See “THE DISTRICT—Land Use.”

### **100-Year Flood Plain**

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded. According to the Engineer, approximately 57 acres of land are within the effective 100-year flood plain. The Engineer has indicated that there is sufficient buildable area on such lots outside the effective 100-year flood plain. See “INVESTMENT CONSIDERATIONS—Extreme Weather Events.”

### **Atlas 14**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based upon the Atlas 14 study, which is based upon a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees and stricter building codes for any property located within the expanded boundaries of the floodplain. See “INVESTMENT CONSIDERATIONS—Atlas 14.”



## FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

|  |                   |     |
|--|-------------------|-----|
| 2023 Taxable Assessed Valuation.....                                     | \$349,580,273     | (a) |
| Estimated Taxable Assessed Valuation as of November 1, 2023.....         | \$388,478,008     | (b) |
| Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds)..... | \$25,935,000      | (c) |
| Estimated Overlapping Debt .....   | <u>25,165,390</u> | (d) |
| Gross Direct Debt and Estimated Overlapping Debt.....                    | \$51,100,390      | (d) |
| Ratios of Gross Direct Debt to: .....                                    |                   |     |
| 2023 Taxable Assessed Valuation.....                                     | 7.42%             |     |
| Estimated Taxable Assessed Valuation as of November 1, 2023 .....        | 6.68%             |     |
| Ratios of Gross Direct Debt and Estimated Overlapping Debt to: .....     |                   |     |
| 2023 Taxable Assessed Valuation.....                                     | 14.62%            |     |
| Estimated Taxable Assessed Valuation as of November 1, 2023 .....        | 13.15%            |     |
| Debt Service Funds Available as of December 19, 2023 .....               |                   |     |
| Construction Funds Available as of December 19, 2023 .....               | \$ 35,739         | (e) |
| Operating Funds Available as of December 19, 2023 .....                  | \$225,588         | (e) |

- (a) The Appraisal District has certified \$319,568,593 of taxable assessed value and an additional \$30,011,680 remains uncertified and represents the landowners' opinion of value. The 2023 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is certified value plus uncertified value. See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on November 1, 2023. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2023 and November 1, 2023, will be certified as of January 1, 2024. See "TAXING PROCEDURES."
- (c) After issuance of the Bonds. See "—Outstanding Bonds" below.
- (d) See "—Estimated Overlapping Debt" and "—Overlapping Taxes" herein.
- (e) The District will use approximately \$35,000 of surplus Capital Projects Funds and approximately \$65,000 of surplus Operating Funds in connection with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

### Investments of the District

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

### Outstanding Bonds

The District has sold \$24,670,000 principal amount of unlimited tax bonds in six series and \$3,305,000 principal amount of unlimited tax refunding bonds in one series, \$22,730,000 principal amount of which is outstanding (the "Outstanding Bonds") as of the date hereof. The table shows the original principal amount of the Outstanding Bonds and the Outstanding Bonds.

| Series   | Original<br>Principal<br>Amount | Outstanding<br>Bonds |
|----------|---------------------------------|----------------------|
| 2015     | \$ 3,750,000                    | \$ -                 |
| 2016     | 1,280,000                       | 900,000              |
| 2019     | 3,050,000                       | 2,610,000            |
| 2020 (a) | 3,305,000                       | 3,100,000            |
| 2020A    | 2,500,000                       | 2,335,000            |
| 2021     | 10,090,000                      | 9,785,000            |
| 2022     | <u>4,000,000</u>                | <u>4,000,000</u>     |
| Total    | \$ 27,975,000                   | \$ 22,730,000        |

(a) Unlimited tax refunding bonds.

**Debt Service Requirements**

The following sets forth the actual debt service on the Outstanding Bonds (as defined herein) and the Bonds.

| Year  | Outstanding<br>Bonds<br>Debt Service<br>Requirements | Plus: Debt Service on the Bonds |                 |                 | Total<br>Debt Service<br>Requirements |
|-------|--|---------------------------------|-----------------|-----------------|---------------------------------------|
|       |  | Principal                       | Interest        | Total           |                                       |
| 2024  | \$ 1,582,205.00                                      | \$ -                            | \$ 63,613.61    | \$ 63,613.61    | \$ 1,645,818.61                       |
| 2025  | 1,569,397.50   | -                               | 119,900.00      | 119,900.00      | 1,689,297.50                          |
| 2026  | 1,550,782.50   | 150,000                         | 116,900.00      | 266,900.00      | 1,817,682.50                          |
| 2027  | 1,533,162.50   | 150,000                         | 110,900.00      | 260,900.00      | 1,794,062.50                          |
| 2028  | 1,520,037.50   | 150,000                         | 104,900.00      | 254,900.00      | 1,774,937.50                          |
| 2029  | 1,518,162.50   | 150,000                         | 98,900.00       | 248,900.00      | 1,767,062.50                          |
| 2030  | 1,511,662.50   | 150,000                         | 92,900.00       | 242,900.00      | 1,754,562.50                          |
| 2031  | 1,500,893.75   | 150,000                         | 87,650.00       | 237,650.00      | 1,738,543.75                          |
| 2032  | 1,494,275.00   | 150,000                         | 83,150.00       | 233,150.00      | 1,727,425.00                          |
| 2033  | 1,491,131.25   | 150,000                         | 78,650.00       | 228,650.00      | 1,719,781.25                          |
| 2034  | 1,477,243.75   | 150,000                         | 73,962.50       | 223,962.50      | 1,701,206.25                          |
| 2035  | 1,466,818.75   | 150,000                         | 69,087.50       | 219,087.50      | 1,685,906.25                          |
| 2036  | 1,455,212.50   | 155,000                         | 63,937.50       | 218,937.50      | 1,674,150.00                          |
| 2037  | 1,447,600.00   | 155,000                         | 58,318.75       | 213,318.75      | 1,660,918.75                          |
| 2038  | 1,434,106.25   | 155,000                         | 52,506.25       | 207,506.25      | 1,641,612.50                          |
| 2039  | 1,419,331.25   | 155,000                         | 46,500.00       | 201,500.00      | 1,620,831.25                          |
| 2040  | 1,413,525.00   | 155,000                         | 40,300.00       | 195,300.00      | 1,608,825.00                          |
| 2041  | 1,111,350.00   | 155,000                         | 34,100.00       | 189,100.00      | 1,300,450.00                          |
| 2042  | 952,250.00   | 155,000                         | 27,900.00       | 182,900.00      | 1,135,150.00                          |
| 2043  | 941,487.50   | 155,000                         | 21,700.00       | 176,700.00      | 1,118,187.50                          |
| 2044  | 780,312.50   | 155,000                         | 15,500.00       | 170,500.00      | 950,812.50                            |
| 2045  | 772,287.50   | 155,000                         | 9,300.00        | 164,300.00      | 936,587.50                            |
| 2046  | 763,850.00   | 155,000                         | 3,100.00        | 158,100.00      | 921,950.00                            |
| Total | \$ 30,707,085.00                                     | \$ 3,205,000                    | \$ 1,473,676.11 | \$ 4,678,676.11 | \$ 35,385,761.11                      |

Average Annual Debt Service Requirements (2024-2046) ..... \$1,538,511  
 Maximum Annual Debt Service Requirement (2026)..... \$1,817,683

**Estimated Overlapping Debt**

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

| Taxing Jurisdiction                              | Outstanding<br>Bonds | As of      | Overlapping |                   |
|--|----------------------|------------|-------------|-------------------|
|  |                      |            | Percent     | Amount            |
| Montgomery County.....                           | \$ 441,665,000       | 11/30/2023 | 0.37%       | \$ 1,634,161      |
| City of Conroe.....                              | 491,620,000          | 11/30/2023 | 2.41%       | 11,848,042        |
| Conroe Independent School District.....          | 1,534,095,000        | 11/30/2023 | 0.72%       | 11,045,484        |
| Lone Star College System.....                    | 579,730,000          | 11/30/2023 | 0.11%       | 637,703           |
| The District.....                                | 25,935,000           | (a)        | 100.00%     | <u>25,935,000</u> |
| Total Direct and Estimated Overlapping Debt..... |                      |            |             | \$ 51,100,390     |

Direct and Estimated Overlapping Debt as a Percentage of:

|  |        |
|--|--------|
| 2023 Taxable Assessed Valuation of \$349,580,273.....                              | 14.62% |
| Estimated Taxable Assessed Valuation as of November 1, 2023 of \$388,478,008 ..... | 13.15% |

(a) Includes the Bonds and the Outstanding Bonds.

**Overlapping Taxes**

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “Estimated Overlapping Debt” above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2023 tax year by all taxing jurisdictions overlapping the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

|  | Tax Rate<br>per \$100 of Taxable<br>Assessed Valuation |
|--|--|
| Montgomery County.....                   | \$ 0.3696  |
| Conroe Independent School District.....  | 0.9621   |
| Montgomery County Hospital District..... | 0.0498   |
| City of Conroe.....                      | 0.4272   |
| Lone Star College System.....            | <u>0.1076</u>  |
| Total Overlapping Tax Rate.....          | \$ 1.9163  |
| The District (a).....                    | <u>0.6000</u>  |
| Total Tax Rate.....                      | \$ 2.5163  |

(a) See “TAX DATA—Historical Tax Rate Distribution.”

## General Operating Fund

The System is owned and operated by the City and no water and sewer revenue is received by the District nor is the District responsible for operation, repair or maintenance of the System.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ending December 31, 2019, through December 31, 2022 and an unaudited summary provided by the Bookkeeper for the eleven-month period ending November 30, 2023. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

|   | 1/1/2023 to<br>11/30/2023<br>(unaudited) | Fiscal Year Ended December 31 |                   |                   |                   |
|---|--|-------------------------------|-------------------|-------------------|-------------------|
|   |  | 2022                          | 2021              | 2020              | 2019              |
| <b>Revenues</b>                           |  |                               |                   |                   |                   |
| Property Taxes                            | \$ 255,552                               | \$ 177,493                    | \$ 176,506        | \$ 170,543        | \$ 176,537        |
| Investment and Miscellaneous Revenues     | 13,291                                   | 2,817                         | 1,376             | 4,674             | 10,917            |
| <b>Total Revenues</b>                     | <b>\$ 268,843</b>                        | <b>\$ 180,310</b>             | <b>\$ 177,882</b> | <b>\$ 175,217</b> | <b>\$ 187,454</b> |
| <b>Expenditures</b>                       |  |                               |                   |                   |                   |
| Professional Fees                         | \$ 65,337                                | \$ 100,182                    | \$ 122,430        | \$ 80,053         | \$ 103,144        |
| Contracted Services                       | 33,589                                   | 40,928                        | 21,138            | 20,008            | 18,914            |
| Repairs and Maintenance                   | 37,764                                   | 32,627                        | 7,140             | 5,848             | 11,780            |
| Other                                     | 25,228                                   | 27,433                        | 37,111            | 20,991            | 27,735            |
| Capital Outlay                            | -  | 295,000 (a)                   | -                 | -                 | -                 |
| <b>Total Expenditures</b>                 | <b>\$ 161,918</b>                        | <b>\$ 496,170</b>             | <b>\$ 187,819</b> | <b>\$ 126,900</b> | <b>\$ 161,573</b> |
| <b>Revenues Over (Under) Expenditures</b> | <b>\$ 106,925</b>                        | <b>\$ (315,860)</b>           | <b>\$ (9,937)</b> | <b>\$ 48,317</b>  | <b>\$ 25,881</b>  |
| <b>Other Sources</b>                      |  |                               |                   |                   |                   |
| Transfers In (Out)                        | \$ -                                     | \$ (12,150)                   | \$ -              | \$ -              | \$ -              |
| <b>Fund Balance (Beginning of Year)</b>   | <b>\$ 155,438</b>                        | <b>\$ 483,448</b>             | <b>\$ 493,385</b> | <b>\$ 445,068</b> | <b>\$ 419,187</b> |
| <b>Fund Balance (End of Year)</b>         | <b>\$ 262,363</b>                        | <b>\$ 155,438</b>             | <b>\$ 483,448</b> | <b>\$ 493,385</b> | <b>\$ 445,068</b> |

(a) Represents reimbursements to the Developers for costs previously expended for water, sewer and drainage facilities.

## TAX DATA

### Debt Service Tax

The District covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. See “—Historical Tax Rate Distribution” below and “—Tax Roll Information” herein, and “TAXING PROCEDURES.”

### Maintenance and Operations Tax

The District has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted November 7, 2006, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$0.60 per \$100 of assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. Pursuant to a Utility Agreement between the District and the City, if the District’s debt service tax rate for a given year is \$0.60 per \$100 of taxable assessed valuation or higher, then the District’s maintenance and operations tax rate shall not exceed \$0.05 per \$100 of taxable assessed valuation without written consent from the City. See “UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE” and “—Debt Service Tax” above.

### Historical Tax Rate Distribution

|                            | 2023     | 2022     | 2021     | 2020     | 2019     |
|----------------------------|----------|----------|----------|----------|----------|
| Debt Service               | \$ 0.470 | \$ 0.500 | \$ 0.490 | \$ 0.450 | \$ 0.420 |
| Maintenance and Operations | 0.130    | 0.100    | 0.110    | 0.150    | 0.180    |
| Total                      | \$ 0.600 | \$ 0.600 | \$ 0.600 | \$ 0.600 | \$ 0.600 |

### Additional Penalties

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

### Tax Exemptions

As discussed in the section titled “TAXING PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. For 2023, the District has granted a \$20,000 exemption of the appraised value of resident homesteads for persons who are disabled or 65 years of age or older.

### Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “—Tax Roll Information” herein.

| Tax<br>Year | Taxable Assessed<br>Valuation (a) | Tax<br>Rate | Total<br>Tax Levy | Total Collections<br>as of November 30, 2023 (b) |         |
|-------------|-----------------------------------|-------------|-------------------|--|---------|
|             |                                   |             |                   | Amount   | Percent |
| 2018        | \$ 81,475,856                     | \$ 0.60     | \$ 488,855        | \$ 488,855                                       | 100.00% |
| 2019        | 95,599,089                        | 0.60        | 573,595           | 573,595  | 100.00% |
| 2020        | 117,558,840                       | 0.60        | 705,353           | 705,279  | 99.99%  |
| 2021        | 161,529,583                       | 0.60        | 969,177           | 966,072  | 99.68%  |
| 2022        | 260,174,166                       | 0.60        | 1,561,045         | 1,553,268  | 99.50%  |
| 2023        | 349,580,273                       | 0.60        | 2,097,482         | (c)  | (c)     |

- (a) As certified by the Appraisal District less any exemptions granted. See “—Tax Roll Information” herein for gross appraised value and exemptions granted by the District.  
 (b) Unaudited.  
 (c) In the process of collection. Taxes for 2023 are due by January 31, 2024.

**Tax Roll Information**

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2019 through 2023 Taxable Assessed Valuations. Accurate breakdowns related to the uncertified portion (\$30,011,680) of the 2023 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of November 1, 2023, of \$388,478,008 are not available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

|                   | 2023<br>Taxable<br>Assessed Valuation | 2022<br>Taxable<br>Assessed Valuation | 2021<br>Taxable<br>Assessed Valuation | 2020<br>Taxable<br>Assessed Valuation | 2019<br>Taxable<br>Assessed Valuation |
|-------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Land              | \$ 72,569,960                         | \$ 67,871,040                         | \$ 56,255,930                         | \$ 38,407,930                         | \$ 29,398,550                         |
| Improvements      | 259,328,700                           | 200,487,910                           | 108,308,085                           | 78,934,330                            | 63,499,940                            |
| Personal Property | 4,204,317                             | 3,891,246                             | 4,041,249                             | 4,454,273                             | 5,110,298                             |
| Exemptions        | (16,534,384)                          | (12,076,030)                          | (7,075,681)                           | (4,237,693)                           | (2,409,699)                           |
| Total Certified   | \$ 319,568,593                        | \$ 260,174,166                        | \$ 161,529,583                        | \$ 117,558,840                        | \$ 95,599,089                         |
| Uncertified Value | 30,011,680                            | -                                     | -                                     | -                                     | -                                     |
| Total             | \$ 349,580,273                        | \$ 260,174,166                        | \$ 161,529,583                        | \$ 117,558,840                        | \$ 95,599,089                         |

**Principal Taxpayers**

The following table represents the ten major taxpayers, the taxable assessed valuation of such property, and such property’s taxable assessed valuation as a percentage of the certified portion (\$319,568,593) of the 2023 Taxable Assessed Valuation of \$349,580,273. This represents ownership as of January 1, 2023. Accurate principal taxpayer lists related to the uncertified portion (\$30,011,680) of the 2023 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of November 1, 2023, of \$388,478,008 are not available. See “INVESTMENT CONSIDERATIONS—Dependence on Major Taxpayers and the Developers.”

| <u>Taxpayer</u>                       | 2023 Certified<br>Taxable Assessed<br>Valuation | % of 2023 Certified<br>Taxable Assessed<br>Valuation |
|---------------------------------------|---|--|
| Camillo ML 2021 SFR LLC (a)(b)        | \$ 30,252,980                                   | 9.47%  |
| CTL Propco I LP (a)(c)                | 11,901,147                                      | 3.72%  |
| Teas Crossing Phase I LLC (a)         | 10,500,000                                      | 3.29%  |
| Teas Crossing West Commerical LLC (a) | 9,431,920                                       | 2.95%  |
| Conroe MP RK6 LLC                     | 5,200,000                                       | 1.63%  |
| Long Lake LTD (a)                     | 3,347,860                                       | 1.05%  |
| Woodmere Development Co. LTD (a)      | 2,997,980                                       | 0.94%  |
| Legend Classic Homes LTD              | 2,515,770                                       | 0.79%  |
| Darden SW, LLC                        | 2,200,000                                       | 0.69%  |
| Individual                            | 1,552,560                                       | 0.49%  |
| Total                                 | \$ 79,900,217                                   | 25.00%   |

(a) See “THE DEVELOPERS AND MAJOR PROPERTY OWNERS.”

(b) See “INVESTMENT CONSIDERATIONS—Rental Homes.”

(c) Includes \$10,140,000 and \$1,761,147 of taxable value associated with the land and improvements and personal property value, respectively, associated with JC Penney.

**Tax Adequacy for Debt Service**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2023 Taxable Assessed Valuation of \$349,580,273 (\$319,568,593 of certified value plus \$30,011,680 of uncertified value) or the Estimated Taxable Assessed Valuation as of November 1, 2023, of \$388,478,008. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

|  |             |
|--|-------------|
| Average Annual Debt Service Requirement (2024-2046) .....                                | \$1,538,511 |
| \$0.47 Tax Rate on the 2023 Taxable Assessed Valuation .....                             | \$1,560,876 |
| \$0.42 Tax Rate on the Estimated Taxable Assessed Valuation as of November 1, 2023 ..... | \$1,550,027 |
| Maximum Annual Debt Service Requirement (2026).....                                      | \$1,817,683 |
| \$0.55 Tax Rate on the 2023 Taxable Assessed Valuation .....                             | \$1,826,557 |
| \$0.50 Tax Rate on the Estimated Taxable Assessed Valuation as of November 1, 2023 ..... | \$1,845,271 |

No representation or suggestion is made that the uncertified portion of the 2023 Taxable Assessed Valuation provided by the Appraisal District will not be revised downward prior to certification or that the Estimated Taxable Assessed Valuation as of November 1, 2023, will not be adjusted downward prior to certification, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

**TAXING PROCEDURES**

**Authority to Levy Taxes**

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the District may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

**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 the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery Central Appraisal Review Board (the “Appraisal Review Board”).

**Property Subject to Taxation by the District**

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. For the 2023 tax year, the District has granted a \$20,000 tax exemption on residential homesteads for persons 65 years of age or older or disabled. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran

claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads 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 before July 1. To date, the District has not adopted a homestead exemption. See "TAX DATA."

*Freeport Goods and Goods-in-Transit Exemptions:* A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

### **Tax Abatement**

Montgomery County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County, the City and the District, under certain circumstances, 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 District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised 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 agreement. 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, neither the County nor the City has designated land within the District as a reinvestment zone.



## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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 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 some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land, and timberland.

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

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

## **District and Taxpayer Remedies**

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

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

## **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain

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

### **Tax Payment Installments After Disaster**

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

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

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

Chapter 49 of the Texas Water Code, as amended classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

*Special Taxing Units:* Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

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

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

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

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the limitations set forth under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, and by taxpayer redemption rights. A taxpayer may redeem commercial property within six months and all other types of property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds are obligations solely of the District and are not obligations of the City of Conroe (the "City"), Montgomery County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the Bonds ("Registered Owners") of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "—Registered Owners' Remedies and Bankruptcy Limitations" herein.

### **Dependence on Major Taxpayers and the Developers**

The ten principal taxpayers represent \$79,900,217 or 25.00% of the certified portion (\$319,568,593) of the 2023 Taxable Assessed Valuation of \$349,580,273, which represents ownership as of January 1, 2023. If any of the principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "—Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX DATA—Principal Taxpayers," and "TAXING PROCEDURES—Levy and Collection of Taxes."

The Developers have informed the District that their current plans are to continue developing its property in the District and/or marketing lots. 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 any information related to any proposed development should not be interpreted as a commitment.

### **Vacant Lots and Undeveloped Land**

There are 307 developed lots that remain vacant. There are also approximately 96 acres of developable land that have not been fully provided with water, sewer and drainage service. The District makes no representation as to when or if development of the undeveloped acreage will occur or the success of any homebuilding programs. Failure of the Developers to develop the developable land or of builders to build taxable improvements on the vacant lots could affect the rate of growth of taxable values in the District. See "THE DISTRICT—Land Use" and "—Status of Development."

## **Rental Homes**

Approximately 134 homes constructed in Mackenzie Creek, Sections One and Two are currently owned by Camillo ML 2021-SFR LLC as rental properties. On the 2023 certified tax roll, Camillo ML 2021 SFR LLC represents \$30,252,980 or 9.47% of the certified portion (\$319,568,593) of the 2023 Taxable Assessed Valuation of \$349,580,273. See “THE DISTRICT—Status of Development” and “TAX DATA—Principal Taxpayers.” Camillo ML 2021-SFR LLC is a special purpose entity formed by Camcorp Management Inc. for the purpose of owning rental properties. See “THE DEVELOPERS AND MAJOR PROPERTY OWNERS—Mackenzie Creek Ltd.”

Camillo ML 2021-SFR LLC, as the owner of the rental homes in Mackenzie Creek, Sections One and Two, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front and back yards.

## **Landowner Obligation to the District**

There are no commitments from or obligations of the Developers or other landowners to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots or developed tracts of land could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds the District will increase or maintain its taxable value.

## **Economic Factors and Interest Rates**

The majority of the taxable value of the District results from the current market value of single-family residences, rental homes and commercial tracts and of developed lots which are currently being marketed for sale or rent to homebuilders and homebuyers for the construction of primary residences. The market value of taxable improvements is related to general economic conditions in the Houston region and the national economy. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see “—Credit Market and Liquidity in the Financial Markets” below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

## **Credit Markets and Liquidity in the Financial Markets**

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

## **Competition**

The demand for and construction of single-family homes, rental homes and commercial tracts in the District could be affected by competition from other residential and commercial developments located in the northern portion of the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developers in the sale of developed lots and the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District.

The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

## **Possible Impact on District Tax Rates**

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Taxable Assessed Valuation is \$349,580,273 (\$319,568,593 of certified value plus \$30,011,680 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be \$1,817,683 (2026), and the average annual debt service requirement will be \$1,538,511 (2024-2046, inclusive). Assuming no increase or decrease from the 2023 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.55 and \$0.47 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. The Estimated Taxable Assessed Valuation as of November 1, 2023 is \$388,478,008, which reduces the above tax rate calculations to \$0.50 and \$0.42, respectively. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “TAX DATA—Tax Adequacy for Debt Service.”

No representation or suggestion is made that the uncertified portion (\$30,011,680) of the 2023 Taxable Assessed Valuation will not be adjusted downward prior to certification or that the Estimated Taxable Assessed Valuation as of November 1, 2023 will be the amounts finally certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

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

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

## **Extreme Weather Events**

The greater Houston area, including Montgomery County, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to Vogt Engineering, L.P (the “Engineer”), the City’s water and sewer system serving the District did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. No homes or commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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

## **Specific Flood Type Risks**

*Riverine (or Fluvial) Flood:* Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet flow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

*Ponding (or Pluvial) Flood:* Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can over capacitate a drainage system which becomes trapped and flows out into streets and nearby structures until it reaches a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

## **Atlas 14**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based upon the Atlas 14 study, which is based upon a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees and stricter building codes for any property located within the expanded boundaries of the floodplain. See “THE SYSTEM.”

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

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

## **Registered Owners’ Remedies and Bankruptcy Limitations**

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developers or any other landowners.

### **Future Debt**

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid purpose. A total of \$29,560,000 principal amount of unlimited tax bonds has been authorized by the District's voters for the purpose of constructing and/or acquiring water, wastewater, and drainage facilities and \$29,560,000 unlimited tax bonds for refunding such bonds. After the issuance of the Bonds, \$1,685,000 principal amount of the unlimited tax bonds for water, wastewater and drainage facilities will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and could adversely affect the security for, and the investment quality and value of, the Bonds.

The principal amount of bonds issued to finance parks and recreational facilities may not exceed one percent (1%) of the District's certified value, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not more than three percent (3%) of the value of the taxable property in the District.

To date, the Developers have advanced certain funds for engineering and construction of water, wastewater and drainage facilities for which they have not been reimbursed. After the reimbursements are made with Bond proceeds, the District will continue to owe approximately \$2,350,000 plus interest to the Developers. The District intends to issue additional bonds and use available surplus operating funds in the future, if any, in order to reimburse the Developers for existing development and to develop the remainder of undeveloped but developable land (approximately 96 acres). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, wastewater and drainage facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

### **Environmental Regulations**

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

*Air Quality Issues:* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

*Water Supply & Discharge Issues:* Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.



The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. In order to maintain MS4 Permit compliance, the District is partnering with the city of Conroe (the "City"), to participate in the City's program to develop, implement, and maintain the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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

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

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

### **Continuing Compliance with Certain Covenants**

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

### **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.

### **Risk Factors Related to the Purchase of Municipal Bond Insurance**

The Underwriter has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

The long-term ratings on the Bonds are dependent in part on the financial strength of the bond insurer (the "Insurer") and its claim paying ability. The 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 Insurer and of the ratings on the Bonds insured by the 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 description of "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

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

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

## LEGAL MATTERS

### Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, to a like effect and to the effect that under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “THE BONDS,” “UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this OFFICIAL STATEMENT nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of 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.

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

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 Material Adverse Change

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

### No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the Date of Delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

## TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations.

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

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

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

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

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

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

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

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

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

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

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

### **Qualified Tax-Exempt Obligations**

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2024 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2024.

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

## **MUNICIPAL BOND RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook), with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service, Inc. ("Moody's") has also assigned an underlying rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

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

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("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 B to this OFFICIAL STATEMENT.

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](http://www.buildamerica.com).

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects 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](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

### *Additional Information Available from BAM*

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

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

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

## **PREPARATION OF OFFICIAL STATEMENT**

### **Sources and Compilation of Information**

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

### **Financial Advisor**

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **Consultants**

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants.

*Tax Assessor/Collector:* The information contained in this OFFICIAL STATEMENT relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by Utility Tax Service LLC, and is included herein in reliance upon the authority of such firm as an expert in assessing property values and collecting taxes.

*Engineer:* The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Vogt Engineering, L.P, Consulting Engineers and has been included herein in reliance upon the authority of said firm as the District's Engineer.

*Auditor:* The District's financial statements for the fiscal year ending December 31, 2022, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's December 31, 2022, financial statements.

*Bookkeeper:* The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—General Operating Fund" has been provided by Municipal Accounts & Consulting, L.P. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

### **Updating the Official Statement**

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

### **Certification of Official Statement**

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

### **Annual Reports**

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and in APPENDIX A (Financial Statements of the District and certain supplemental schedules). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2023. Any financial statements so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person,

other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds and (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (“the Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information from the MSRB**

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the Registered Owners of a majority in aggregate principal amount of the Outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and Beneficial Owners of the Bonds. The 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 Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance With Prior Undertakings**

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12.

## **MISCELLANEOUS**

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

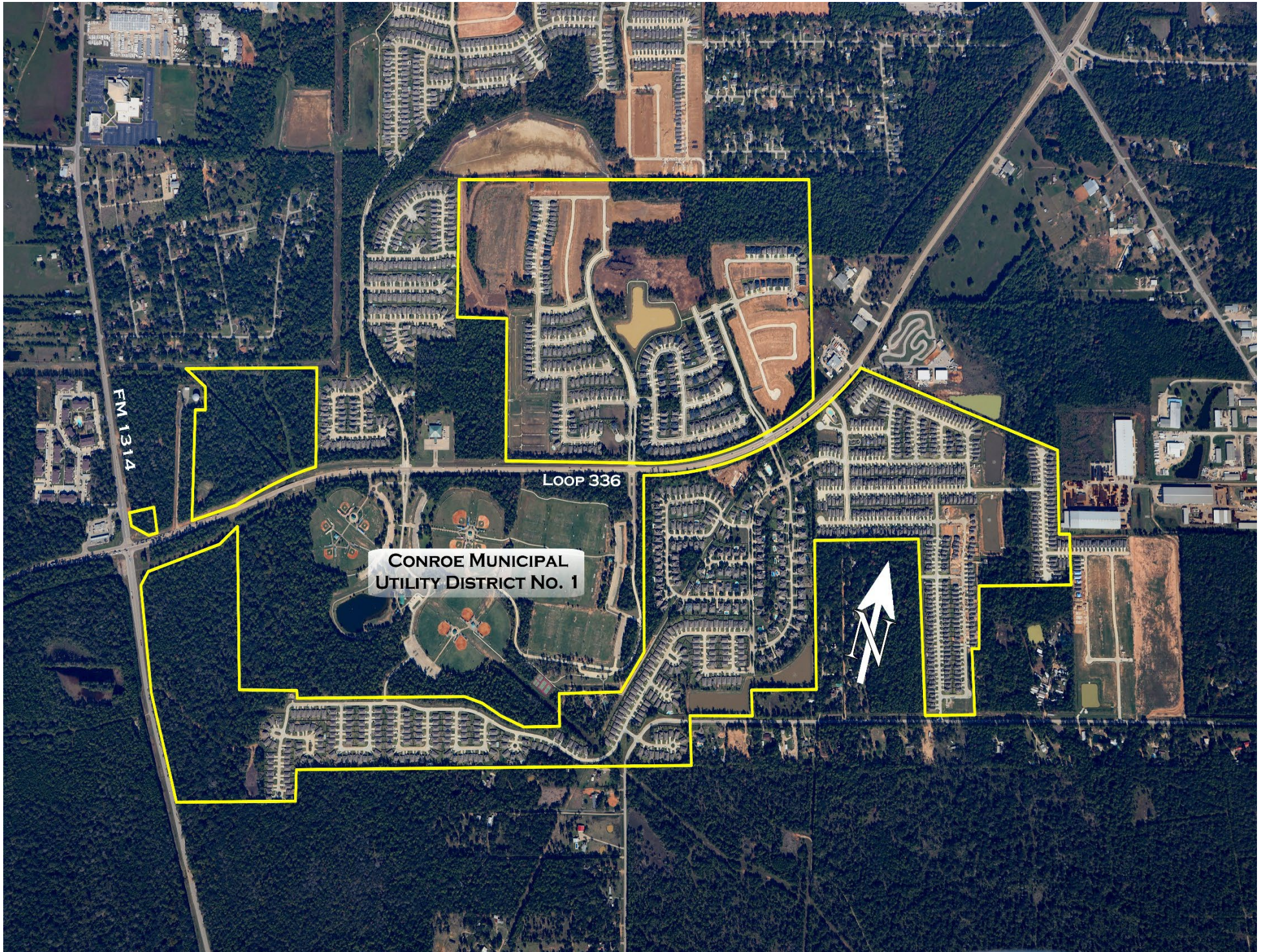
/s/ Betty Boren Avery  
President, Board of Directors

ATTEST:

/s/ Julie Crum  
Secretary, Board of Directors



**AERIAL PHOTOGRAPH**  
**(As of November 2023)**



FM 1314

LOOP 336

CONROE MUNICIPAL  
UTILITY DISTRICT NO. 1





CONROE MUNICIPAL  
UTILITY DISTRICT NO. 1



I 45

FM 3083

**PHOTOGRAPHS OF THE DISTRICT  
(As of November 2023)**















**APPENDIX A**

**Financial Statement of the District for the fiscal year ended December 31, 2022**

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



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



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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Conroe Municipal Utility District No. 1 (the "District") as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

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



Board of Directors  
Conroe Municipal Utility District No. 1

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information 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

March 21, 2023



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

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

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the 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 the District's assets, liabilities and deferred inflows 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 fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

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



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

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") 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 and deferred inflows of resources exceeded assets by \$5,062,259 as of December 31, 2022.

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

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

The following is a comparative analysis of government-wide changes in net position:

|   | Summary of Changes in the Statement of Net Position |                |                                  |
|---|---|----------------|----------------------------------|
|   | 2022  | 2021           | Change<br>Positive<br>(Negative) |
| Current Assets                          | \$ 2,371,889  | \$ 2,278,560   | \$ 93,329                        |
| Intangible Assets (Net of Amortization) | 17,069,824  | 14,250,244     | 2,819,580                        |
| Capital Assets (Net of Depreciation)    | 3,391,757   | 2,688,271      | 703,486                          |
| Total Assets                            | \$ 22,833,470                                       | \$ 19,217,075  | \$ 3,616,395                     |
| Due to Developers                       | \$ 2,474,017  | \$ 1,876,036   | \$ (597,981)                     |
| Bonds Payable                           | 23,598,127  | 19,966,112     | (3,632,015)                      |
| Other Liabilities                       | 233,926   | 134,881        | (99,045)                         |
| Total Liabilities                       | \$ 26,306,070                                       | \$ 21,977,029  | \$ (4,329,041)                   |
| Deferred Inflows of Resources           | \$ 1,589,659  | \$ 981,346     | \$ (608,313)                     |
| Net Position:                           |   |                |                                  |
| Net Investment in Capital Assets        | \$ (5,569,032)                                      | \$ (4,713,572) | \$ (855,460)                     |
| Restricted                              | 356,502   | 495,550        | (139,048)                        |
| Unrestricted                            | 150,271   | 476,722        | (326,451)                        |
| Total Net Position                      | \$ (5,062,259)                                      | \$ (3,741,300) | \$ (1,320,959)                   |

The following table provides a summary of the District's operations for the years ended December 31, 2022, and December 31, 2021. The District's net position decreased by \$1,320,959.

|                                 | Summary of Changes in the Statement of Activities |                |                                  |
|---------------------------------|---|----------------|----------------------------------|
|                                 | 2022  | 2021           | Change<br>Positive<br>(Negative) |
| Revenues:                       |   |                |                                  |
| Property Taxes                  | \$ 975,071  | \$ 700,909     | \$ 274,162                       |
| Other Revenues                  | 40,279  | 22,013         | 18,266                           |
| Total Revenues                  | \$ 1,015,350                                      | \$ 722,922     | \$ 292,428                       |
| Expenses for Services           | 2,336,309   | 2,546,088      | 209,779                          |
| Change in Net Position          | \$ (1,320,959)                                    | \$ (1,823,166) | \$ 502,207                       |
| Net Position, Beginning of Year | (3,741,300)                                       | (1,918,134)    | (1,823,166)                      |
| Net Position, End of Year       | \$ (5,062,259)                                    | \$ (3,741,300) | \$ (1,320,959)                   |

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

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

The District's combined fund balances as of December 31, 2022, were \$718,974, a decrease of \$535,379 from the prior year.

The General Fund fund balance decreased by \$328,010, primarily due to general, professional and administrative costs exceeding tax revenues during the year, in addition to the use of \$295,000 of surplus operating funds to reimburse the developer for Phase III detention pond land costs.

The Debt Service Fund fund balance decreased by \$58,839, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance decreased by \$148,530. The District used surplus funds and bond proceeds to reimburse developers as further described in Notes 11 and 12.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated budget for the current fiscal year and amended the budget during the year to increase budgeted expenditures across all categories. Actual revenues were \$7,998 more than budgeted revenues, actual expenditures were \$302,000 more than budgeted expenditures, and there was an unbudgeted transfer out to the Capital Projects Fund of \$12,150. This resulted in a negative variance compared to budget of \$306,152. See the budget to actual comparison schedule for more information.

**CAPITAL ASSETS AND INTANGIBLE ASSETS**

Capital assets as of December 31, 2022, totaled \$3,391,757 and include land and detention facilities serving the Barton Woods, Barton Creek Ranch and Mackenzie Creek developments.

| Capital Assets At Year-End              |              |              |                                  |
|---|--------------|--------------|----------------------------------|
|   | 2022         | 2021         | Change<br>Positive<br>(Negative) |
| Capital Assets Not Being Depreciated:   |              |              |                                  |
| Land and Land Improvements              | \$ 1,265,801 | \$ 823,597   | \$ 442,204                       |
| Construction in Progress                | 194,035      |              | 194,035                          |
| Capital Assets Subject to Depreciation: |              |              |                                  |
| Detention Facilities                    | 2,063,962    | 1,949,356    | 114,606                          |
| Less: Accumulated Depreciation          | (132,041)    | (84,682)     | (47,359)                         |
| Total Net Capital Assets                | \$ 3,391,757 | \$ 2,688,271 | \$ 703,486                       |

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

**CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)**

Additionally, the District is located within the City of Conroe (the “City”). In accordance with the Utility Functions Agreement with the City, water, wastewater and drainage facilities constructed are conveyed to the City. For conveyance of these assets, the City is to provide water and wastewater services to the District. As a result, the District has recognized intangible assets representing the right to receive service from the City. The balance of intangible assets, net of accumulated amortization, was \$17,069,824 as of December 31, 2022.

| Intangible Assets At Year-End              |                      |                      | Change                 |
|--|----------------------|----------------------|------------------------|
|  | 2022                 | 2021                 | Positive<br>(Negative) |
| Intangible Assets Subject to Amortization: |                      |                      |                        |
| Water and Sewer Infrastructure             | \$ 19,863,584        | \$ 16,301,191        | \$ 3,562,393           |
| Less: Accumulated Amortization             | (2,793,760)          | (2,050,947)          | (742,813)              |
| Total Net Intangible Assets                | <u>\$ 17,069,824</u> | <u>\$ 14,250,244</u> | <u>\$ 2,819,580</u>    |

**LONG-TERM DEBT**

The District had total bond debt payable of \$23,445,000. The changes in bond debt payable during the fiscal year ended December 31, 2022, are summarized as follows:

|                                      |                      |
|--------------------------------------|----------------------|
| Bond Debt Payable, January 1, 2022   | \$ 19,845,000        |
| Add: Bond Sale - Series 2022         | 4,000,000            |
| Less: Bond Principal Paid            | 400,000              |
| Bond Debt Payable, December 31, 2022 | <u>\$ 23,445,000</u> |

The Series 2019 Bonds and Series 2022 Bonds currently have an underlying rating of “Baa2” and an insured rating of “AA” by S&P and “A1” by Moody’s by virtue of bond insurance issued by Assured Guaranty Municipal. The Series 2020 Refunding Bonds, Series 2020A Bonds and Series 2021 Bonds currently have underlying ratings of “Baa2” and insured ratings of “AA” by S&P by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The budget for fiscal year 2023, which was adopted on November 15, 2022, projects a General Fund fund balance increase of \$57,020.

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

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Conroe Municipal Utility District No. 1, c/o Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, TX 77027.

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

|  | General Fund      | Debt<br>Service Fund |
|--|-------------------|----------------------|
| <b>ASSETS</b>  |                   |                      |
| Cash   | \$ 12,223         | \$ 1,140,789         |
| Investments  | 122,353           | 563,383              |
| Property Taxes Receivable  | 71,609            | 355,471              |
| Accrued Interest Receivable  | 323               |                      |
| Due from Other Funds   | 262,830           |                      |
| Prepaid Costs  | 1,754             |                      |
| Intangible Assets: Water and Sewer Infrastructure<br>(Net of Accumulated Amortization) |                   |                      |
| Land   |                   |                      |
| Construction in Progress   |                   |                      |
| Capital Assets (Net of Accumulated Depreciation)                                       |                   |                      |
| <b>TOTAL ASSETS</b>  | <b>\$ 471,092</b> | <b>\$ 2,059,643</b>  |
| <b>LIABILITIES</b>   |                   |                      |
| Accounts Payable   | \$ 48,575         | \$ 4,439             |
| Accrued Interest Payable   |                   |                      |
| Due to Developers  |                   |                      |
| Due to Other Funds   |                   | 193,074              |
| Long-Term Liabilities:   |                   |                      |
| Bonds Payable, Due Within One Year   |                   |                      |
| Bonds Payable, Due After One Year  |                   |                      |
| <b>TOTAL LIABILITIES</b>   | <b>\$ 48,575</b>  | <b>\$ 197,513</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                   |                      |
| Property Taxes   | \$ 267,079        | \$ 1,332,822         |
| <b>FUND BALANCES</b>   |                   |                      |
| Nonspendable - Prepaid Costs   | \$ 1,754          | \$                   |
| Restricted for Authorized Construction   |                   |                      |
| Restricted for Debt Service  |                   | 529,308              |
| Unassigned   | 153,684           |                      |
| <b>TOTAL FUND BALANCES</b>   | <b>\$ 155,438</b> | <b>\$ 529,308</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b>          | <b>\$ 471,092</b> | <b>\$ 2,059,643</b>  |
| <b>NET POSITION</b>  |                   |                      |
| Net Investment in Capital Assets   |                   |                      |
| Restricted for Debt Service  |                   |                      |
| Unrestricted   |                   |                      |
| <b>TOTAL NET POSITION</b>  |                   |                      |

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

| Capital<br>Projects Fund | Total               | Adjustments           | Statement of<br>Net Position |
|--------------------------|---------------------|-----------------------|------------------------------|
| \$                       | \$ 1,153,012        | \$                    | \$ 1,153,012                 |
| 103,984                  | 789,720             |                       | 789,720                      |
|                          | 427,080             |                       | 427,080                      |
|                          | 323                 |                       | 323                          |
|                          | 262,830             | (262,830)             |                              |
|                          | 1,754               |                       | 1,754                        |
|                          |                     | 17,069,824            | 17,069,824                   |
|                          |                     | 1,265,801             | 1,265,801                    |
|                          |                     | 194,035               | 194,035                      |
|                          |                     | 1,931,921             | 1,931,921                    |
| <u>\$ 103,984</u>        | <u>\$ 2,634,719</u> | <u>\$ 20,198,751</u>  | <u>\$ 22,833,470</u>         |
| \$                       | \$ 53,014           | \$                    | \$ 53,014                    |
|                          |                     | 180,912               | 180,912                      |
|                          |                     | 2,474,017             | 2,474,017                    |
| 69,756                   | 262,830             | (262,830)             |                              |
|                          |                     | 715,000               | 715,000                      |
|                          |                     | 22,883,127            | 22,883,127                   |
| <u>\$ 69,756</u>         | <u>\$ 315,844</u>   | <u>\$ 25,990,226</u>  | <u>\$ 26,306,070</u>         |
| <u>\$ -0-</u>            | <u>\$ 1,599,901</u> | <u>\$ (10,242)</u>    | <u>\$ 1,589,659</u>          |
| \$                       | \$ 1,754            | \$ (1,754)            | \$                           |
| 34,228                   | 34,228              | (34,228)              |                              |
|                          | 529,308             | (529,308)             |                              |
|                          | 153,684             | (153,684)             |                              |
| <u>\$ 34,228</u>         | <u>\$ 718,974</u>   | <u>\$ (718,974)</u>   | <u>\$ -0-</u>                |
| <u>\$ 103,984</u>        | <u>\$ 2,634,719</u> |                       |                              |
|                          |                     | \$ (5,569,032)        | \$ (5,569,032)               |
|                          |                     | 356,502               | 356,502                      |
|                          |                     | 150,271               | 150,271                      |
|                          |                     | <u>\$ (5,062,259)</u> | <u>\$ (5,062,259)</u>        |

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



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

|  |    |         |
|--|----|---------|
| Total Fund Balances - Governmental Funds | \$ | 718,974 |
|--|----|---------|

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

|   |  |            |
|---|--|------------|
| Water and wastewater facilities constructed by the developer and reimbursed by the District using bond proceeds are conveyed to the City of Conroe for the right to receive service from the City of Conroe. These assets are amortized over the term of the service agreement as intangible assets in governmental activities. |  | 17,069,824 |
|---|--|------------|

|  |  |           |
|--|--|-----------|
| Capital assets are not current financial resources and, therefore, are not reported as assets in the governmental funds. |  | 3,391,757 |
|--|--|-----------|

|  |  |        |
|--|--|--------|
| Deferred inflows of resources related to property tax revenues for the 2021 and prior tax levies became part of recognized revenue in the governmental activities of the District. |  | 10,242 |
|--|--|--------|

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        | \$ (2,474,017)      |                     |
| Accrued Interest Payable | (180,912)           |                     |
| Bonds Payable            | <u>(23,598,127)</u> | <u>(26,253,056)</u> |

|  |    |                    |
|--|----|--------------------|
| Total Net Position - Governmental Activities | \$ | <u>(5,062,259)</u> |
|--|----|--------------------|

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

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

|   | General Fund        | Debt<br>Service Fund |
|---|---------------------|----------------------|
| <b>REVENUES</b>   |                     |                      |
| Property Taxes  | \$ 177,493          | \$ 789,284           |
| Penalty, Interest and Miscellaneous Revenues                                  | 2,817               | 24,540               |
| Tax Rebate  |                     | 12,418               |
|   |                     |                      |
| <b>TOTAL REVENUES</b>   | <b>\$ 180,310</b>   | <b>\$ 826,242</b>    |
| <b>EXPENDITURES/EXPENSES</b>  |                     |                      |
| Service Operations:   |                     |                      |
| Professional Fees   | \$ 100,182          | \$ 2,948             |
| Contracted Services   | 40,928              | 23,773               |
| Repairs and Maintenance   | 32,627              |                      |
| Amortization  |                     |                      |
| Depreciation  |                     |                      |
| Other   | 27,433              | 10,570               |
| Capital Outlay  | 295,000             |                      |
| Developer Interest  |                     |                      |
| Debt Service:   |                     |                      |
| Bond Issuance Costs   |                     |                      |
| Bond Principal  |                     | 400,000              |
| Bond Interest   |                     | 447,790              |
|   |                     |                      |
| <b>TOTAL EXPENDITURES/EXPENSES</b>  | <b>\$ 496,170</b>   | <b>\$ 885,081</b>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>(UNDER) EXPENDITURES/EXPENSES</b> | <b>\$ (315,860)</b> | <b>\$ (58,839)</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                     |                      |
| Transfers In (Out)  | \$ (12,150)         | \$                   |
| Bond Premium  |                     |                      |
| Proceeds From Issuance of Long-Term Debt                                      |                     |                      |
|   |                     |                      |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                                   | <b>\$ (12,150)</b>  | <b>\$ -0-</b>        |
| <b>NET CHANGE IN FUND BALANCES</b>  | <b>\$ (328,010)</b> | <b>\$ (58,839)</b>   |
| <b>CHANGE IN NET POSITION</b>   |                     |                      |
| <b>FUND BALANCES/NET POSITION -<br/>JANUARY 1, 2022</b>                       | <b>483,448</b>      | <b>588,147</b>       |
| <b>FUND BALANCES/NET POSITION -<br/>DECEMBER 31, 2022</b>                     | <b>\$ 155,438</b>   | <b>\$ 529,308</b>    |

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

| Capital<br>Projects Fund | Total              | Adjustments        | Statement of<br>Activities |
|--------------------------|--------------------|--------------------|----------------------------|
| \$                       | \$ 966,777         | \$ 8,294           | \$ 975,071                 |
| 504                      | 27,861             |                    | 27,861                     |
|                          | 12,418             |                    | 12,418                     |
| <u>504</u>               | <u>1,007,056</u>   | <u>8,294</u>       | <u>1,015,350</u>           |
| \$                       | \$ 103,130         | \$                 | \$ 103,130                 |
|                          | 64,701             |                    | 64,701                     |
|                          | 32,627             |                    | 32,627                     |
|                          |                    | 742,813            | 742,813                    |
|                          |                    | 47,359             | 47,359                     |
| 440                      | 38,443             |                    | 38,443                     |
| 3,420,257                | 3,715,257          | (3,715,257)        |                            |
| 370,367                  | 370,367            |                    | 370,367                    |
|                          |                    |                    |                            |
| 407,110                  | 407,110            |                    | 407,110                    |
|                          | 400,000            | (400,000)          |                            |
|                          | 447,790            | 81,969             | 529,759                    |
| <u>4,198,174</u>         | <u>5,579,425</u>   | <u>(3,243,116)</u> | <u>2,336,309</u>           |
| <u>(4,197,670)</u>       | <u>(4,572,369)</u> | <u>3,251,410</u>   | <u>(1,320,959)</u>         |
| \$                       | \$                 | \$                 | \$                         |
| 12,150                   | 36,990             | (36,990)           |                            |
| 36,990                   | 4,000,000          | (4,000,000)        |                            |
| <u>4,000,000</u>         | <u>4,036,990</u>   | <u>(4,036,990)</u> | <u>-0-</u>                 |
| <u>4,049,140</u>         | <u>4,036,990</u>   | <u>(4,036,990)</u> | <u>-0-</u>                 |
| \$                       | \$                 | \$                 | \$                         |
| (148,530)                | (535,379)          | 535,379            |                            |
|                          |                    | (1,320,959)        | (1,320,959)                |
|                          |                    |                    |                            |
| 182,758                  | 1,254,353          | (4,995,653)        | (3,741,300)                |
| <u>34,228</u>            | <u>718,974</u>     | <u>(5,781,233)</u> | <u>(5,062,259)</u>         |

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

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

Net Change in Fund Balances - Governmental Funds \$ (535,379)

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

Governmental funds report tax revenue when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 8,294

Governmental funds do not account for depreciation or amortization. However, in the Statement of Net Position, capital assets and intangible assets are depreciated and amortized over the estimated useful lives or the term of the service agreement with the City of Conroe, whichever is applicable. (790,172)

Bond premiums are amortized over the life of the outstanding bonds in government-wide activities but reflected as other financing sources in governmental funds. (36,990)

Governmental funds report bond proceeds as other financing sources. In the government-wide statements, the issuance of long-term debt increases liabilities in the Statement of Net Position and does not affect the Statement of Activities. (4,000,000)

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. 400,000

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases or the related developer liability is reduced. 3,715,257

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (81,969)

Change in Net Position - Governmental Activities \$ (1,320,959)

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

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1. CREATION OF DISTRICT**

Conroe Municipal Utility District No. 1, located in Conroe, Texas (the “District”) was created on July 11, 2006, by an Order of the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on August 14, 2006, and the District sold its first series of bonds on March 19, 2015.

**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”).

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:

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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 Balances.

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

Governmental Funds

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

General Fund - To account for property tax revenues, professional fees and administrative expenditures.

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

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

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectible 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 collectible 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 the 2021 tax levy collections during the period October 1, 2021 to December 31, 2022, and taxes collected from January 1, 2022, to December 31, 2022, for the 2020 and prior tax levies. The 2022 tax levy has been fully deferred.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of December 31, 2022, the General Fund recorded a receivable of \$193,074 from the Debt Service Fund for maintenance tax collections and \$69,756 from the Capital Projects Fund for bond issuance costs related to the Series 2022 bond sale. During the year ended December 31, 2022, the General Fund transferred \$12,150 to the Capital Projects Fund pertaining to Series 2021 bond issuance costs.



**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets are reported in the government-wide Statement of Net Position. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital 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 over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over a period of 45 years.

Intangible Assets

Intangible assets, consisting of rights to receive water and wastewater service, are reported in the government-wide Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City of Conroe and amortized over the 40-year term of the agreement with the City of Conroe.

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 amended 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 the 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 Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus.

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

Measurement Focus (Continued)

The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

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

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

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

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.

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 3. LONG-TERM DEBT**

|   | Series 2016               | Series 2019               | Refunding<br>Series 2020  |
|---|---------------------------|---------------------------|---------------------------|
| Amounts Outstanding –<br>December 31, 2022    | \$ 955,000                | \$ 2,755,000              | \$ 3,225,000              |
| Interest Rates                                | 3.00% - 4.25%             | 2.00% - 3.00%             | 2.125% - 3.50%            |
| Maturity Dates – Serially<br>Beginning/Ending | September 1,<br>2023/2040 | September 1,<br>2023/2041 | September 1,<br>2023/2040 |
| Interest Payment Dates                        | March 1/<br>September 1   | March 1/<br>September 1   | March 1/<br>September 1   |
| Callable Dates                                | September 1,<br>2022*     | September 1,<br>2024*     | September 1,<br>2025*     |

|   | Series 2020A              | Series 2021               | Series 2022               |
|---|---------------------------|---------------------------|---------------------------|
| Amounts Outstanding –<br>December 31, 2022    | \$ 2,420,000              | \$ 10,090,000             | \$ 4,000,000              |
| Interest Rates                                | 2.00% - 3.00%             | 2.00% - 4.00%             | 4.125% - 5.00%            |
| Maturity Dates – Serially<br>Beginning/Ending | September 1,<br>2023/2043 | September 1,<br>2023/2046 | September 1,<br>2024/2046 |
| Interest Payment Dates                        | March 1/<br>September 1   | March 1/<br>September 1   | March 1/<br>September 1   |
| Callable Dates                                | September 1,<br>2025*     | September 1,<br>2027*     | September 1,<br>2029*     |

\* Or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2016 term bonds maturing September 1, 2028, 2030, 2033, and 2040, are subject to mandatory redemption beginning September 1, 2027, 2029, 2031, and 2034, respectively. Series 2019 term bonds maturing September 1, 2034, 2036, 2038, and 2041, are subject to mandatory redemption beginning September 1, 2033, 2035, 2037, and 2039, respectively. Series 2020 Refunding term bonds maturing September 1, 2038 are subject to mandatory redemption beginning September 1, 2040. Series 2020A term bonds maturing September 1, 2032, 2034, 2036, 2038, and 2043 are subject to mandatory redemption beginning September 1, 2031, 2033, 2035, 2037, and 2039, respectively. Series 2021 term bonds maturing September 1, 2033, 2035, 2037, 2039, 2041, 2043 and 2046 are subject to mandatory redemption beginning September 1, 2032, 2034, 2036, 2038, 2040, 2042 and 2044, respectively. Series 2022 term bonds maturing September 1, 2031, 2033, 2035, 2037, 2039, 2042, 2044 and 2046 are subject to mandatory redemption beginning September 1, 2030, 2032, 2034, 2036, 2038, 2040, 2043 and 2045, respectively.

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2022:

|                      | January 1,<br>2022   | Additions                  | Retirements       | December 31,<br>2022 |
|----------------------|----------------------|----------------------------|-------------------|----------------------|
| Bonds Payable        | \$ 19,845,000        | \$ 4,000,000               | \$ 400,000        | \$ 23,445,000        |
| Unamortized Premiums | 121,112              | 36,990                     | 4,975             | 153,127              |
| Bonds Payable, Net   | <u>\$ 19,966,112</u> | <u>\$ 4,036,990</u>        | <u>\$ 404,975</u> | <u>\$ 23,598,127</u> |
|                      |                      | Amount Due Within One Year |                   | \$ 715,000           |
|                      |                      | Amount Due After One Year  |                   | 22,883,127           |
|                      |                      | Bonds Payable, Net         |                   | <u>\$ 23,598,127</u> |

District voters have authorized bonds to be issued through multiple bond elections. At year end, the District has authorized but unissued bonds in the amount of \$4,890,000 for utility facilities and \$29,345,000 for refunding purposes. The debt service requirements on the bonds outstanding are summarized in the following table and on page 45 of this report.

| Fiscal Years | Principal            | Interest            | Total                |
|--------------|----------------------|---------------------|----------------------|
| 2023         | \$ 715,000           | \$ 652,467          | \$ 1,367,467         |
| 2024         | 900,000              | 682,206             | 1,582,206            |
| 2025         | 920,000              | 649,398             | 1,569,398            |
| 2026         | 935,000              | 615,783             | 1,550,783            |
| 2027         | 950,000              | 583,163             | 1,533,163            |
| 2028-2032    | 5,060,000            | 2,485,032           | 7,545,032            |
| 2033-2037    | 5,560,000            | 1,778,009           | 7,338,009            |
| 2038-2042    | 5,385,000            | 945,563             | 6,330,563            |
| 2043-2046    | 3,020,000            | 237,940             | 3,257,940            |
|              | <u>\$ 23,445,000</u> | <u>\$ 8,629,561</u> | <u>\$ 32,074,561</u> |

The bonds are payable from an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended December 31, 2022, the District levied an ad valorem debt service tax rate of \$0.50 per \$100 of assessed valuation, which resulted in a tax levy of \$1,324,716 on the adjusted taxable valuation of \$264,943,267 for the 2022 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

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

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

The District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

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

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$1,203,012 and the bank balance was \$282,011. The District was not exposed to custodial credit risk at year-end. The carrying values of the deposits as of December 31, 2022, are as follows:

|                   | Cash         | Certificate<br>of Deposit | Total        |
|-------------------|--------------|---------------------------|--------------|
| GENERAL FUND      | \$ 12,223    | \$ 50,000                 | \$ 62,223    |
| DEBT SERVICE FUND | 1,140,789    |                           | 1,140,789    |
| TOTAL DEPOSITS    | \$ 1,153,012 | \$ 50,000                 | \$ 1,203,012 |

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

Investments

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

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

The District invests in Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool's administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages credit risk by investing in certificates of deposit with balances below FDIC coverage. The District's investments in Texas CLASS were rated "AAAm" by Standard and Poor's. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in Texas CLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one-year.

The District records certificates of deposit at the acquisition cost at the date of purchase.

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

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

Investments (Continued)

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

| Funds and<br>Investment Type | Fair Value               | Maturities of<br>Less Than<br>1 Year |
|------------------------------|--------------------------|--------------------------------------|
| <u>GENERAL FUND</u>          |                          |                                      |
| Texas CLASS                  | \$ 72,353                | \$ 72,353                            |
| Certificate of Deposit       | 50,000                   | 50,000                               |
| <u>DEBT SERVICE FUND</u>     |                          |                                      |
| Texas CLASS                  | 563,383                  | 563,383                              |
| <u>CAPITAL PROJECTS FUND</u> |                          |                                      |
| Texas CLASS                  | 103,984                  | 103,984                              |
| <b>TOTAL INVESTMENTS</b>     | <u><u>\$ 789,720</u></u> | <u><u>\$ 789,720</u></u>             |

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

**NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS**

Capital asset activity for the year ended December 31, 2022, is as follows:

|  | January 1,<br>2022         | Increases                | Decreases                | December 31,<br>2022       |
|--|----------------------------|--------------------------|--------------------------|----------------------------|
| <b>Capital Assets Not Being Depreciated</b>                              |                            |                          |                          |                            |
| Land and Land Improvements   | \$ 823,597                 | \$ 442,204               | \$                       | \$ 1,265,801               |
| Construction in Progress   |                            | 308,641                  | 114,606                  | 194,035                    |
| <b>Total Capital Assets Not Being Depreciated</b>                        | <u>\$ 823,597</u>          | <u>\$ 750,845</u>        | <u>\$ 114,606</u>        | <u>\$ 1,459,836</u>        |
| <b>Capital Assets Subject to Depreciation</b>                            |                            |                          |                          |                            |
| Detention Facilities   | \$ 1,949,356               | \$ 114,606               | \$ -0-                   | \$ 2,063,962               |
| <b>Less Accumulated Depreciation</b>                                     |                            |                          |                          |                            |
| Detention Facilities   | \$ 84,682                  | \$ 47,359                | \$ -0-                   | \$ 132,041                 |
| <b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b> | <u>\$ 1,864,674</u>        | <u>\$ 67,247</u>         | <u>\$ -0-</u>            | <u>\$ 1,931,921</u>        |
| <b>Total Capital Assets, Net of Accumulated Depreciation</b>             | <u><u>\$ 2,688,271</u></u> | <u><u>\$ 818,092</u></u> | <u><u>\$ 114,606</u></u> | <u><u>\$ 3,391,757</u></u> |

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS (Continued)**

The Developer financed the construction of facilities to serving: Barton Woods, Sections 1, 2, 3 and 4; Teas Town Center, Sections 1 and 2; Barton Creek Ranch, Sections 1, 2, 3, 4 and 5; and Mackenzie Creek, Sections 1 and 2. These facilities were conveyed to the City of Conroe in accordance with the Utility Functions Agreement (see Note 10). In exchange for conveyance of these assets, the City agrees to provide water and wastewater services to the District, which results in an intangible asset of the District. Intangible asset activity for the year ended December 31, 2022, is as follows:

|   | January 1,<br>2022   | Increases           | Decreases     | December 31,<br>2022 |
|---|----------------------|---------------------|---------------|----------------------|
| <b>Intangible Assets Subject to Amortization</b>          |                      |                     |               |                      |
| Water and Sewer Infrastructure                            | \$ 16,301,191        | \$ 3,562,393        | \$ -0-        | \$ 19,863,584        |
| <b>Accumulated Amortization</b>                           | \$ 2,050,947         | \$ 742,813          | \$ -0-        | \$ 2,793,760         |
| <b>Intangible Assets, Net of Accumulated Amortization</b> | <u>\$ 14,250,244</u> | <u>\$ 2,819,580</u> | <u>\$ -0-</u> | <u>\$ 17,069,824</u> |

**NOTE 7. MAINTENANCE TAX**

On November 7, 2006, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.60 per \$100 of assessed valuation of taxable property within the District. During the year ended December 31, 2022, the District levied an ad valorem maintenance tax rate of \$0.10 per \$100 of assessed valuation, which resulted in a tax levy of \$264,943 on the adjusted taxable valuation of \$264,943,267 for the 2022 tax year. The 2022 tax levy has been fully deferred and is budgeted for use in fiscal year 2023.

**NOTE 8. UNREIMBURSED COSTS**

The District has executed developer financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, sewer, and drainage facilities until such time as the District can sell bonds. Reimbursement to the Developers will come from future bond sales or other available funds, subject to the terms of the contracts between the District and the Developers. The following table summarizes the current year changes to unreimbursed costs:

|                                      |                     |
|--------------------------------------|---------------------|
| Due to Developers, January 1, 2022   | \$ 1,876,036        |
| Add: Current Year Additions          | 4,313,238           |
| Less: Current Year Reimbursements    | <u>(3,715,257)</u>  |
| Due to Developers, December 31, 2022 | <u>\$ 2,474,017</u> |



**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
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**NOTE 9. 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. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide pollution, general liability, automobile, sewer backup, errors and omissions and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE 10. UTILITY AGREEMENT WITH THE CITY OF CONROE**

The District operates pursuant to a Utility Functions Agreement between the City and the District, dated as of October 13, 2005, supplemented on November 15, 2007, and amended by the First Amendment to the Utility Functions Agreement, dated as of April 14, 2009, and the Second Amendment to the Utility Functions Agreement, dated as of July 9, 2022, (collectively, the "Utility Agreement"). Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to accept the Facilities for operation and maintenance at the sole cost of the City in consideration for the District's financing, acquisition and construction of the Facilities. In order to secure performance by the City of its obligations under the Utility Agreement, the District retains a security interest in the Facilities transferred to the City until the District's bonds issued to acquire and construct the Facilities are paid off. It is the City's obligation to set rates and charges for the use of the Facilities and to bill and collect such rates and charges from customers of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City. All revenues from the Facilities belong exclusively to the City.

The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without capital charges of any kind. The City has covenanted to maintain the Facilities, or cause the Facilities to be maintained, in good condition and working order and to operate the same, or cause the same, to be operated in an efficient and economical manner at a reasonable cost and in accordance with sound business principles. The City has also covenanted to comply with all contractual provisions and agreements entered into by it and with all valid rules, regulation, directions or orders by any governmental or judicial body promulgating the same.

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
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**DECEMBER 31, 2022**

**NOTE 10. UTILITY AGREEMENT WITH THE CITY OF CONROE (Continued)**

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. Before the District is authorized to issue bonds, the District must provide the City with a copy of the TCEQ order authorizing issuance of the bonds and such order must provide that under the TCEQ's rules governing the issuance of bonds it is feasible to sell the bonds at a District tax rate that does not exceed \$1.00 per \$100 of taxable assessed valuation. The Utility Agreement expressly provides that such condition is not a limitation on the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount. However, if the District's debt service tax rate for a given year is \$0.60 per \$100 of taxable assessed valuation or higher, then the District's maintenance and operations tax rate shall not exceed \$0.05 per \$100 assessed valuation without written consent from the City. Both the City and the District levy taxes on property within the District. The Utility Agreement provides that the City pays an annual rebate to the District of a portion of the City's tax rate related to the water, wastewater and drainage in order to prevent double payment of taxes by taxpayers in the District. The annual rebate is equal to the total assessed value in the District for a given year multiplied by the portion of the City's tax rate that is attributable to water, sewer or drainage facilities, which may increase or decrease over time. During the current fiscal year, the District received \$12,418 from the City pertaining to the annual rebate.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until 95% of the District's Facilities have been developed and the developers advancing funds to construct the Facilities have been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement of the District under such rules.

**NOTE 11. USE OF SURPLUS FUNDS**

On May 17, 2022, pursuant to Commission approval and in accordance with TCEQ rules, the Board of Directors approved the use of \$189,000 in surplus funds from the District's previously issued Series 2021 bonds to finance developer funded land acquisition costs for the Barton Creek Ranch, Phase 5 Detention Pond (Reserve A).

Also on May 17, 2022, pursuant to Commission approval and in accordance with TCEQ rules, the Board of Directors approved the use of \$295,000 in surplus operating funds to finance developer funded land acquisition costs for the Barton Creek Ranch, Phase 5 Detention Ponds (Reserves A and K).

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 12. BOND SALE**

On December 15, 2022, the District closed on the sale of its \$4,000,000 Series 2022 Unlimited Tax Bonds with interest rates ranging from 4.125% to 5.00%. The net proceeds from the sale of \$3,702,101 (after payment of underwriting fees and other bond issuance costs) were used to finance 1) construction and engineering costs associated with water, wastewater and storm drainage to serve Barton Creek Ranch, Sections 2, 3, 4, 5, 6 and 7 and Mackenzie Creek Section 2; 2) construction of Phase II and Phase III detention facilities; 3) land acquisition costs for Barton Creek Ranch, Phase 5 Detention Ponds (Reserves A and K); and 4) bond issuance costs.

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**

**REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2022**



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

|  | <u>Original<br/>Budget</u>  | <u>Final<br/>Budget</u>     | <u>Actual</u>       | <u>Variance<br/>Positive<br/>(Negative)</u> |
|--|-----------------------------|-----------------------------|---------------------|---|
| <b>REVENUES</b>  |                             |                             |                     |   |
| Property Taxes   | \$ 171,212                  | \$ 171,212                  | \$ 177,493          | \$ 6,281                                    |
| Investment and Miscellaneous Revenues                                | <u>1,000</u>                | <u>1,100</u>                | <u>2,817</u>        | <u>1,717</u>                                |
| <b>TOTAL REVENUES</b>  | <u>\$ 172,212</u>           | <u>\$ 172,312</u>           | <u>\$ 180,310</u>   | <u>\$ 7,998</u>                             |
| <b>EXPENDITURES</b>  |                             |                             |                     |   |
| Service Operations:  |                             |                             |                     |   |
| Professional Fees  | \$ 92,500                   | \$ 96,300                   | \$ 100,182          | \$ (3,882)                                  |
| Contracted Services  | 25,000                      | 35,800                      | 40,928              | (5,128)                                     |
| Repairs and Maintenance  | 8,000                       | 29,000                      | 32,627              | (3,627)                                     |
| Other  | 28,710                      | 33,070                      | 27,433              | 5,637                                       |
| Capital Outlay   | <u>                    </u> | <u>                    </u> | <u>295,000</u>      | <u>(295,000)</u>                            |
| <b>TOTAL EXPENDITURES</b>  | <u>\$ 154,210</u>           | <u>\$ 194,170</u>           | <u>\$ 496,170</u>   | <u>\$ (302,000)</u>                         |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>\$ 18,002</u>            | <u>\$ (21,858)</u>          | <u>\$ (315,860)</u> | <u>\$ (294,002)</u>                         |
| <b>OTHER FINANCING SOURCES(USES)</b>                                 |                             |                             |                     |   |
| Transfer In (Out)  | <u>\$ -0-</u>               | <u>\$ -0-</u>               | <u>\$ (12,150)</u>  | <u>\$ (12,150)</u>                          |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | \$ 18,002                   | \$ (21,858)                 | \$ (328,010)        | \$ (306,152)                                |
| <b>FUND BALANCE - JANUARY 1, 2022</b>                                | <u>483,448</u>              | <u>483,448</u>              | <u>483,448</u>      | <u>                    </u>                 |
| <b>FUND BALANCE - DECEMBER 31, 2022</b>                              | <u>\$ 501,450</u>           | <u>\$ 461,590</u>           | <u>\$ 155,438</u>   | <u>\$ (306,152)</u>                         |

See accompanying independent auditor's report.

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**CONROE MUNICIPAL UTILITY DISTRICT NO. 1**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**DECEMBER 31, 2022**







**CONROE MUNICIPAL UTILITY DISTRICT NO. 1  
SERVICES AND RATES  
FOR THE YEAR ENDED DECEMBER 31, 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 in which District is located:

City of Conroe, Texas.

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

Entirely             Partly             Not at all   X  

Are Board Members appointed by an office outside the District?

Yes             No   X  

See accompanying independent auditor's report.

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

|  |                   |
|--|-------------------|
| PROFESSIONAL FEES:                     |                   |
| Audit Services                         | \$ 17,000         |
| Engineering                            | 7,475             |
| Legal                                  | <u>75,707</u>     |
| TOTAL PROFESSIONAL FEES                | <u>\$ 100,182</u> |
| CONTRACTED SERVICES:                   |                   |
| Bookkeeping                            | <u>\$ 40,928</u>  |
| REPAIRS AND MAINTENANCE                | <u>\$ 32,627</u>  |
| ADMINISTRATIVE EXPENDITURES:           |                   |
| Arbitrage Reporting                    | \$ 2,500          |
| Director Fees, Including Payroll Taxes | 7,428             |
| Travel                                 | 1,521             |
| Insurance                              | 2,910             |
| Site Assessments                       | 2,725             |
| Legal Notices                          | 1,251             |
| Office Supplies and Postage            | 1,549             |
| Meetings and Other                     | <u>7,549</u>      |
| TOTAL ADMINISTRATIVE EXPENDITURES      | <u>\$ 27,433</u>  |
| CAPITAL OUTLAY                         | <u>\$ 295,000</u> |
| TOTAL EXPENDITURES                     | <u>\$ 496,170</u> |

See accompanying independent auditor's report.

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1  
INVESTMENTS  
DECEMBER 31, 2022**

| <u>Funds</u>                 | <u>Identification or<br/>Certificate Number</u> | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Balance at<br/>End of Year</u> | <u>Accrued<br/>Interest<br/>Receivable at<br/>End of Year</u> |
|------------------------------|---|--------------------------|--------------------------|-----------------------------------|---|
| <u>GENERAL FUND</u>          |   |                          |                          |                                   |   |
| Texas CLASS                  | XXXX0001  | Varies                   | Daily                    | \$ 72,353                         | \$  |
| Certificate of Deposit       | XXXX0543  | 3.99%                    | 11/02/23                 | <u>50,000</u>                     | <u>323</u>  |
| TOTAL GENERAL FUND           |   |                          |                          | <u>\$ 122,353</u>                 | <u>\$ 323</u>   |
| <u>DEBT SERVICE FUND</u>     |   |                          |                          |                                   |   |
| Texas CLASS                  | XXXX0003  | Varies                   | Daily                    | <u>\$ 563,383</u>                 | <u>\$ -0-</u>   |
| <u>CAPITAL PROJECTS FUND</u> |   |                          |                          |                                   |   |
| Texas CLASS                  | XXXX0005  | Varies                   | Daily                    | \$ 3,298                          | \$  |
| Texas CLASS                  | XXXX0006  | Varies                   | Daily                    | <u>100,686</u>                    | <u></u>   |
| TOTAL CAPITAL PROJECTS FUND  |   |                          |                          | <u>\$ 103,984</u>                 | <u>\$ -0-</u>   |
| TOTAL - ALL FUNDS            |   |                          |                          | <u>\$ 789,720</u>                 | <u>\$ 323</u>   |

See accompanying independent auditor's report.

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

|                                      | Maintenance Taxes | Debt Service Taxes |
|--------------------------------------|-------------------|--------------------|
| TAXES RECEIVABLE -                   |                   |                    |
| JANUARY 1, 2022                      | \$ 82,462         | \$ 366,129         |
| Adjustments to Beginning Balance     | <u>(862)</u>      | <u>(5,414)</u>     |
|                                      | \$ 81,600         | \$ 360,715         |
| Original 2022 Tax Levy               | \$ 257,182        | \$1,285,908        |
| Adjustment to 2022 Tax Levy          | <u>7,761</u>      | <u>38,808</u>      |
|                                      | <u>264,943</u>    | <u>1,324,716</u>   |
| TOTAL TO BE ACCOUNTED FOR            | \$ 346,543        | \$1,685,431        |
| TAX COLLECTIONS:                     |                   |                    |
| Prior Years                          | \$ 79,464         | \$ 352,609         |
| Current Year                         | <u>195,470</u>    | <u>977,351</u>     |
|                                      | <u>274,934</u>    | <u>1,329,960</u>   |
| TAXES RECEIVABLE - DECEMBER 31, 2022 | <u>\$ 71,609</u>  | <u>\$ 355,471</u>  |
| TAXES RECEIVABLE BY YEAR:            |                   |                    |
| 2022                                 | \$ 69,473         | \$ 347,365         |
| 2021                                 | 1,200             | 5,345              |
| 2020                                 | 887               | 2,662              |
| 2019                                 | 22                | 52                 |
| 2018 and prior                       | <u>27</u>         | <u>47</u>          |
| TOTAL                                | <u>\$ 71,609</u>  | <u>\$ 355,471</u>  |

See accompanying independent auditor's report.

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

|   | <u>2022</u>           | <u>2021</u>           | <u>2020</u>           | <u>2019</u>          |
|---|-----------------------|-----------------------|-----------------------|----------------------|
| PROPERTY VALUATIONS:                          |                       |                       |                       |                      |
| Land  | \$ 68,998,170         | \$ 56,455,920         | \$ 38,387,560         | \$ 30,568,260        |
| Improvements                                  | 202,257,900           | 109,659,815           | 78,597,700            | 63,609,720           |
| Personal Property                             | 3,893,008             | 4,041,415             | 4,452,167             | 5,110,298            |
| Exemptions                                    | <u>(10,205,811)</u>   | <u>(6,599,533)</u>    | <u>(3,833,411)</u>    | <u>(3,418,244)</u>   |
| TOTAL PROPERTY VALUATIONS                     | <u>\$ 264,943,267</u> | <u>\$ 163,557,617</u> | <u>\$ 117,604,016</u> | <u>\$ 95,870,034</u> |
| TAX RATES PER \$100 VALUATION:                |                       |                       |                       |                      |
| Debt Service                                  | \$ 0.50               | \$ 0.49               | \$ 0.45               | \$ 0.42              |
| Maintenance                                   | <u>0.10</u>           | <u>0.11</u>           | <u>0.15</u>           | <u>0.18</u>          |
| TOTAL TAX RATES PER \$100 VALUATION           | <u>\$ 0.60</u>        | <u>\$ 0.60</u>        | <u>\$ 0.60</u>        | <u>\$ 0.60</u>       |
| ADJUSTED TAX LEVY*                            | <u>\$ 1,589,659</u>   | <u>\$ 981,346</u>     | <u>\$ 705,624</u>     | <u>\$ 575,220</u>    |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | <u>73.78 %</u>        | <u>99.33 %</u>        | <u>99.50 %</u>        | <u>99.99 %</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 \$0.60 per \$100 of assessed valuation approved by voters on November 7, 2006.

See accompanying independent auditor's report.

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

| S E R I E S - 2 0 1 6                            |                                 |   |       |           |
|--|---------------------------------|---|-------|-----------|
| Due During Fiscal<br>Years Ending<br>December 31 | Principal<br>Due<br>September 1 | Interest Due<br>March 1/<br>September 1 | Total |           |
| 2023   | \$ 55,000                       | \$ 36,518                               | \$    | 91,518    |
| 2024   | 55,000                          | 34,868                                  |       | 89,868    |
| 2025   | 55,000                          | 33,135                                  |       | 88,135    |
| 2026   | 55,000                          | 31,320                                  |       | 86,320    |
| 2027   | 55,000                          | 29,450                                  |       | 84,450    |
| 2028   | 55,000                          | 27,525                                  |       | 82,525    |
| 2029   | 55,000                          | 25,600                                  |       | 80,600    |
| 2030   | 55,000                          | 23,538                                  |       | 78,538    |
| 2031   | 55,000                          | 21,475                                  |       | 76,475    |
| 2032   | 55,000                          | 19,275                                  |       | 74,275    |
| 2033   | 55,000                          | 17,075                                  |       | 72,075    |
| 2034   | 50,000                          | 14,875                                  |       | 64,875    |
| 2035   | 50,000                          | 12,750                                  |       | 62,750    |
| 2036   | 50,000                          | 10,625                                  |       | 60,625    |
| 2037   | 50,000                          | 8,500                                   |       | 58,500    |
| 2038   | 50,000                          | 6,375                                   |       | 56,375    |
| 2039   | 50,000                          | 4,250                                   |       | 54,250    |
| 2040   | 50,000                          | 2,125                                   |       | 52,125    |
| 2041   |                                 |   |       |           |
| 2042   |                                 |   |       |           |
| 2043   |                                 |   |       |           |
| 2044   |                                 |   |       |           |
| 2045   |                                 |   |       |           |
| 2046   |                                 |   |       |           |
|  | \$ 955,000                      | \$ 359,279                              | \$    | 1,314,279 |

See accompanying independent auditor's report.



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

| S E R I E S - 2 0 1 9                            |                                 |   |       |           |
|--|---------------------------------|---|-------|-----------|
| Due During Fiscal<br>Years Ending<br>December 31 | Principal<br>Due<br>September 1 | Interest Due<br>March 1/<br>September 1 | Total |           |
| 2023   | \$ 145,000                      | \$ 68,875                               | \$    | 213,875   |
| 2024   | 145,000                         | 64,525                                  |       | 209,525   |
| 2025   | 145,000                         | 61,625                                  |       | 206,625   |
| 2026   | 145,000                         | 58,725                                  |       | 203,725   |
| 2027   | 145,000                         | 55,825                                  |       | 200,825   |
| 2028   | 145,000                         | 52,925                                  |       | 197,925   |
| 2029   | 145,000                         | 50,025                                  |       | 195,025   |
| 2030   | 145,000                         | 46,944                                  |       | 191,944   |
| 2031   | 145,000                         | 43,681                                  |       | 188,681   |
| 2032   | 145,000                         | 40,238                                  |       | 185,238   |
| 2033   | 145,000                         | 36,612                                  |       | 181,612   |
| 2034   | 145,000                         | 32,806                                  |       | 177,806   |
| 2035   | 145,000                         | 29,000                                  |       | 174,000   |
| 2036   | 145,000                         | 25,013                                  |       | 170,013   |
| 2037   | 145,000                         | 21,025                                  |       | 166,025   |
| 2038   | 145,000                         | 17,037                                  |       | 162,037   |
| 2039   | 145,000                         | 13,050                                  |       | 158,050   |
| 2040   | 145,000                         | 8,700                                   |       | 153,700   |
| 2041   | 145,000                         | 4,350                                   |       | 149,350   |
| 2042   |                                 |   |       |           |
| 2043   |                                 |   |       |           |
| 2044   |                                 |   |       |           |
| 2045   |                                 |   |       |           |
| 2046   |                                 |   |       |           |
|  | \$ 2,755,000                    | \$ 730,981                              | \$    | 3,485,981 |

See accompanying independent auditor's report.

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

REFUNDING SERIES - 2020

| Due During Fiscal<br>Years Ending<br>December 31 | Principal<br>Due<br>September 1 | Interest Due<br>March 1/<br>September 1 | Total               |
|--|---------------------------------|---|---------------------|
| 2023   | \$ 125,000                      | \$ 87,731                               | \$ 212,731          |
| 2024   | 135,000                         | 83,981                                  | 218,981             |
| 2025   | 140,000                         | 79,256                                  | 219,256             |
| 2026   | 145,000                         | 74,356                                  | 219,356             |
| 2027   | 150,000                         | 70,006                                  | 220,006             |
| 2028   | 155,000                         | 65,506                                  | 220,506             |
| 2029   | 165,000                         | 60,856                                  | 225,856             |
| 2030   | 170,000                         | 57,350                                  | 227,350             |
| 2031   | 175,000                         | 53,525                                  | 228,525             |
| 2032   | 180,000                         | 49,369                                  | 229,369             |
| 2033   | 190,000                         | 44,869                                  | 234,869             |
| 2034   | 195,000                         | 40,119                                  | 235,119             |
| 2035   | 200,000                         | 35,244                                  | 235,244             |
| 2036   | 205,000                         | 29,994                                  | 234,994             |
| 2037   | 215,000                         | 24,613                                  | 239,613             |
| 2038   | 220,000                         | 18,700                                  | 238,700             |
| 2039   | 225,000                         | 12,650                                  | 237,650             |
| 2040   | 235,000                         | 6,463                                   | 241,463             |
| 2041   |                                 |   |                     |
| 2042   |                                 |   |                     |
| 2043   |                                 |   |                     |
| 2044   |                                 |   |                     |
| 2045   |                                 |   |                     |
| 2046   |                                 |   |                     |
|  | <u>\$ 3,225,000</u>             | <u>\$ 894,588</u>                       | <u>\$ 4,119,588</u> |

See accompanying independent auditor's report.

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

| S E R I E S - 2 0 2 0 A                          |                                 |   |       |           |
|--|---------------------------------|---|-------|-----------|
| Due During Fiscal<br>Years Ending<br>December 31 | Principal<br>Due<br>September 1 | Interest Due<br>March 1/<br>September 1 | Total |           |
| 2023   | \$ 85,000                       | \$ 54,963                               | \$    | 139,963   |
| 2024   | 85,000                          | 52,413                                  |       | 137,413   |
| 2025   | 90,000                          | 49,863                                  |       | 139,863   |
| 2026   | 90,000                          | 47,163                                  |       | 137,163   |
| 2027   | 95,000                          | 45,363                                  |       | 140,363   |
| 2028   | 100,000                         | 43,463                                  |       | 143,463   |
| 2029   | 100,000                         | 41,463                                  |       | 141,463   |
| 2030   | 105,000                         | 39,463                                  |       | 144,463   |
| 2031   | 105,000                         | 37,363                                  |       | 142,363   |
| 2032   | 110,000                         | 35,263                                  |       | 145,263   |
| 2033   | 115,000                         | 33,063                                  |       | 148,063   |
| 2034   | 115,000                         | 30,763                                  |       | 145,763   |
| 2035   | 120,000                         | 28,463                                  |       | 148,463   |
| 2036   | 125,000                         | 25,763                                  |       | 150,763   |
| 2037   | 130,000                         | 22,950                                  |       | 152,950   |
| 2038   | 130,000                         | 20,025                                  |       | 150,025   |
| 2039   | 135,000                         | 17,100                                  |       | 152,100   |
| 2040   | 140,000                         | 13,894                                  |       | 153,894   |
| 2041   | 145,000                         | 10,569                                  |       | 155,569   |
| 2042   | 150,000                         | 7,125                                   |       | 157,125   |
| 2043   | 150,000                         | 3,563                                   |       | 153,563   |
| 2044   |                                 |   |       |           |
| 2045   |                                 |   |       |           |
| 2046   |                                 |   |       |           |
|  | \$ 2,420,000                    | \$ 660,058                              | \$    | 3,080,058 |

See accompanying independent auditor's report.

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

| S E R I E S - 2 0 2 1                            |                                 |   |               |
|--|---------------------------------|---|---------------|
| Due During Fiscal<br>Years Ending<br>December 31 | Principal<br>Due<br>September 1 | Interest Due<br>March 1/<br>September 1 | Total         |
| 2023   | \$ 305,000                      | \$ 270,869                              | \$ 575,869    |
| 2024   | 310,000                         | 258,669                                 | 568,669       |
| 2025   | 320,000                         | 246,269                                 | 566,269       |
| 2026   | 330,000                         | 233,469                                 | 563,469       |
| 2027   | 335,000                         | 220,269                                 | 555,269       |
| 2028   | 345,000                         | 206,868                                 | 551,868       |
| 2029   | 355,000                         | 199,969                                 | 554,969       |
| 2030   | 365,000                         | 192,868                                 | 557,868       |
| 2031   | 375,000                         | 185,569                                 | 560,569       |
| 2032   | 385,000                         | 178,068                                 | 563,068       |
| 2033   | 395,000                         | 169,888                                 | 564,888       |
| 2034   | 410,000                         | 161,493                                 | 571,493       |
| 2035   | 420,000                         | 152,269                                 | 572,269       |
| 2036   | 430,000                         | 142,818                                 | 572,818       |
| 2037   | 440,000                         | 132,606                                 | 572,606       |
| 2038   | 455,000                         | 122,156                                 | 577,156       |
| 2039   | 465,000                         | 110,781                                 | 575,781       |
| 2040   | 480,000                         | 99,156                                  | 579,156       |
| 2041   | 495,000                         | 86,556                                  | 581,556       |
| 2042   | 505,000                         | 73,563                                  | 578,563       |
| 2043   | 520,000                         | 59,675                                  | 579,675       |
| 2044   | 535,000                         | 45,376                                  | 580,376       |
| 2045   | 550,000                         | 30,663                                  | 580,663       |
| 2046   | 565,000                         | 15,538                                  | 580,538       |
|  | \$ 10,090,000                   | \$ 3,595,425                            | \$ 13,685,425 |

See accompanying independent auditor's report.

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

| S E R I E S - 2 0 2 2                            |                                 |   |              |
|--|---------------------------------|---|--------------|
| Due During Fiscal<br>Years Ending<br>December 31 | Principal<br>Due<br>September 1 | Interest Due<br>March 1/<br>September 1 | Total        |
| 2023   | \$                              | \$ 133,511                              | \$ 133,511   |
| 2024   | 170,000                         | 187,750                                 | 357,750      |
| 2025   | 170,000                         | 179,250                                 | 349,250      |
| 2026   | 170,000                         | 170,750                                 | 340,750      |
| 2027   | 170,000                         | 162,250                                 | 332,250      |
| 2028   | 170,000                         | 153,750                                 | 323,750      |
| 2029   | 175,000                         | 145,250                                 | 320,250      |
| 2030   | 175,000                         | 136,500                                 | 311,500      |
| 2031   | 175,000                         | 129,281                                 | 304,281      |
| 2032   | 175,000                         | 122,062                                 | 297,062      |
| 2033   | 175,000                         | 114,625                                 | 289,625      |
| 2034   | 175,000                         | 107,188                                 | 282,188      |
| 2035   | 175,000                         | 99,094                                  | 274,094      |
| 2036   | 175,000                         | 91,000                                  | 266,000      |
| 2037   | 175,000                         | 82,906                                  | 257,906      |
| 2038   | 175,000                         | 74,813                                  | 249,813      |
| 2039   | 175,000                         | 66,500                                  | 241,500      |
| 2040   | 175,000                         | 58,188                                  | 233,188      |
| 2041   | 175,000                         | 49,875                                  | 224,875      |
| 2042   | 175,000                         | 41,562                                  | 216,562      |
| 2043   | 175,000                         | 33,250                                  | 208,250      |
| 2044   | 175,000                         | 24,938                                  | 199,938      |
| 2045   | 175,000                         | 16,625                                  | 191,625      |
| 2046   | 175,000                         | 8,312                                   | 183,312      |
|  | \$ 4,000,000                    | \$ 2,389,230                            | \$ 6,389,230 |

See accompanying independent auditor's report.

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

ANNUAL REQUIREMENTS  
FOR ALL SERIES

| Due During Fiscal<br>Years Ending<br>December 31 | Total<br>Principal Due | Total<br>Interest Due | Total<br>Principal and<br>Interest Due |
|--|------------------------|-----------------------|--|
| 2023   | \$ 715,000             | \$ 652,467            | \$ 1,367,467                           |
| 2024   | 900,000                | 682,206               | 1,582,206                              |
| 2025   | 920,000                | 649,398               | 1,569,398                              |
| 2026   | 935,000                | 615,783               | 1,550,783                              |
| 2027   | 950,000                | 583,163               | 1,533,163                              |
| 2028   | 970,000                | 550,037               | 1,520,037                              |
| 2029   | 995,000                | 523,163               | 1,518,163                              |
| 2030   | 1,015,000              | 496,663               | 1,511,663                              |
| 2031   | 1,030,000              | 470,894               | 1,500,894                              |
| 2032   | 1,050,000              | 444,275               | 1,494,275                              |
| 2033   | 1,075,000              | 416,132               | 1,491,132                              |
| 2034   | 1,090,000              | 387,244               | 1,477,244                              |
| 2035   | 1,110,000              | 356,820               | 1,466,820                              |
| 2036   | 1,130,000              | 325,213               | 1,455,213                              |
| 2037   | 1,155,000              | 292,600               | 1,447,600                              |
| 2038   | 1,175,000              | 259,106               | 1,434,106                              |
| 2039   | 1,195,000              | 224,331               | 1,419,331                              |
| 2040   | 1,225,000              | 188,526               | 1,413,526                              |
| 2041   | 960,000                | 151,350               | 1,111,350                              |
| 2042   | 830,000                | 122,250               | 952,250                                |
| 2043   | 845,000                | 96,488                | 941,488                                |
| 2044   | 710,000                | 70,314                | 780,314                                |
| 2045   | 725,000                | 47,288                | 772,288                                |
| 2046   | 740,000                | 23,850                | 763,850                                |
|  | <u>\$ 23,445,000</u>   | <u>\$ 8,629,561</u>   | <u>\$ 32,074,561</u>                   |

See accompanying independent auditor's report.

**CONROE MUNICIPAL UTILITY DISTRICT NO. 1  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2022**

| Description  | Original<br>Bonds Issued    | Bonds<br>Outstanding<br>January 1, 2022 |
|--|-----------------------------|---|
| Conroe Municipal Utility District No. 1<br>Unlimited Tax Bonds - Series 2015           | \$ 3,750,000                | \$ 105,000                              |
| Conroe Municipal Utility District No. 1<br>Unlimited Tax Bonds - Series 2016           | 1,280,000                   | 1,010,000                               |
| Conroe Municipal Utility District No. 1<br>Unlimited Tax Bonds - Series 2019           | 3,050,000                   | 2,900,000                               |
| Conroe Municipal Utility District No. 1<br>Unlimited Tax Refunding Bonds - Series 2020 | 3,305,000                   | 3,240,000                               |
| Conroe Municipal Utility District No. 1<br>Unlimited Tax Bonds - Series 2020A          | 2,500,000                   | 2,500,000                               |
| Conroe Municipal Utility District No. 1<br>Unlimited Tax Bonds - Series 2021           | 10,090,000                  | 10,090,000                              |
| Conroe Municipal Utility District No. 1<br>Unlimited Tax Bonds - Series 2022           | <u>4,000,000</u>            | <u>                    </u>             |
| <b>TOTAL</b>   | <u><u>\$ 27,975,000</u></u> | <u><u>\$ 19,845,000</u></u>             |

| Bond Authority:             | <u>Utility Facilities</u> | <u>Refunding Bonds</u> |
|-----------------------------|---------------------------|------------------------|
| Amount Authorized by Voters | \$ 29,560,000             | \$ 29,560,000          |
| Amount Issued               | <u>24,670,000</u>         | <u>215,000</u>         |
| Remaining to be Issued      | <u>\$ 4,890,000</u>       | <u>\$ 29,345,000</u>   |

See accompanying independent auditor's report.

| <u>Current Year Transactions</u> |                    |                   |  |  |
|----------------------------------|--------------------|-------------------|--|--|
| <u>Bonds Sold</u>                | <u>Retirements</u> |                   | <u>Bonds Outstanding<br/>December 31, 2022</u> | <u>Paying Agent</u>  |
|                                  | <u>Principal</u>   | <u>Interest</u>   |  |  |
| \$                               | \$ 105,000         | \$ 2,888          | \$ - 0 -                                       | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
|                                  | 55,000             | 38,030            | 955,000  | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
|                                  | 145,000            | 73,225            | 2,755,000                                      | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
|                                  | 15,000             | 88,181            | 3,225,000                                      | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
|                                  | 80,000             | 57,363            | 2,420,000                                      | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
|                                  |                    | 188,103           | 10,090,000                                     | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
| <u>4,000,000</u>                 |                    |                   | <u>4,000,000</u>                               | The Bank of New York<br>Mellon Trust Company, N.A.<br>Dallas, TX |
| <u>\$ 4,000,000</u>              | <u>\$ 400,000</u>  | <u>\$ 447,790</u> | <u>\$ 23,445,000</u>                           |  |

Debt Service Fund cash and investment balances as of December 31, 2022: \$ 1,704,172

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,336,440

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

See accompanying independent auditor's report.



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

|  | Amounts             |                   |                   |                   |                     | Percentage of Total Revenues |                   |                   |                   |                  |
|--|---------------------|-------------------|-------------------|-------------------|---------------------|------------------------------|-------------------|-------------------|-------------------|------------------|
|  | 2022                | 2021              | 2020              | 2019              | 2018                | 2022                         | 2021              | 2020              | 2019              | 2018             |
| <b>REVENUES</b>  |                     |                   |                   |                   |                     |                              |                   |                   |                   |                  |
| Property Taxes   | \$ 177,493          | \$ 176,506        | \$ 170,543        | \$ 176,537        | \$ 124,904          | 98.4 %                       | 99.2 %            | 97.3 %            | 94.2 %            | 95.6 %           |
| Investment and Miscellaneous Revenues                                | <u>2,817</u>        | <u>1,376</u>      | <u>4,674</u>      | <u>10,917</u>     | <u>5,707</u>        | <u>1.6</u>                   | <u>0.8</u>        | <u>2.7</u>        | <u>5.8</u>        | <u>4.4</u>       |
| <b>TOTAL REVENUES</b>  | <u>\$ 180,310</u>   | <u>\$ 177,882</u> | <u>\$ 175,217</u> | <u>\$ 187,454</u> | <u>\$ 130,611</u>   | <u>100.0 %</u>               | <u>100.0 %</u>    | <u>100.0 %</u>    | <u>100.0 %</u>    | <u>100.0 %</u>   |
| <b>EXPENDITURES</b>  |                     |                   |                   |                   |                     |                              |                   |                   |                   |                  |
| Professional Fees  | \$ 100,182          | \$ 122,430        | \$ 80,053         | \$ 103,144        | \$ 108,810          | 55.6 %                       | 68.8 %            | 45.7 %            | 55.0 %            | 83.3 %           |
| Contracted Services  | 40,928              | 21,138            | 20,008            | 18,914            | 19,217              | 22.7                         | 11.9              | 11.4              | 10.1              | 14.7             |
| Other  | 60,060              | 44,251            | 26,839            | 39,515            | 19,698              | 33.3                         | 24.9              | 15.3              | 21.1              | 15.1             |
| Capital Outlay   | <u>295,000</u>      | <u>          </u> | <u>          </u> | <u>          </u> | <u>373,186</u>      | <u>163.6</u>                 | <u>          </u> | <u>          </u> | <u>          </u> | <u>285.7</u>     |
| <b>TOTAL EXPENDITURES</b>  | <u>\$ 496,170</u>   | <u>\$ 187,819</u> | <u>\$ 126,900</u> | <u>\$ 161,573</u> | <u>\$ 520,911</u>   | <u>275.2 %</u>               | <u>105.6 %</u>    | <u>72.4 %</u>     | <u>86.2 %</u>     | <u>398.8 %</u>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>\$ (315,860)</u> | <u>\$ (9,937)</u> | <u>\$ 48,317</u>  | <u>\$ 25,881</u>  | <u>\$ (390,300)</u> | <u>(175.2) %</u>             | <u>(5.6) %</u>    | <u>27.6 %</u>     | <u>13.8 %</u>     | <u>(298.8) %</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                   |                   |                   |                     |                              |                   |                   |                   |                  |
| Transfers In (Out)   | <u>\$ (12,150)</u>  | <u>\$ -0-</u>     | <u>\$ -0-</u>     | <u>\$ -0-</u>     | <u>\$ -0-</u>       |                              |                   |                   |                   |                  |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | \$ (328,010)        | \$ (9,937)        | \$ 48,317         | \$ 25,881         | \$ (390,300)        |                              |                   |                   |                   |                  |
| <b>BEGINNING FUND BALANCE</b>  | <u>483,448</u>      | <u>493,385</u>    | <u>445,068</u>    | <u>419,187</u>    | <u>809,487</u>      |                              |                   |                   |                   |                  |
| <b>ENDING FUND BALANCE</b>   | <u>\$ 155,438</u>   | <u>\$ 483,448</u> | <u>\$ 493,385</u> | <u>\$ 445,068</u> | <u>\$ 419,187</u>   |                              |                   |                   |                   |                  |

See accompanying independent auditor's report.

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

|  | Amounts            |                    |                     |                   |                   | Percentage of Total Revenues |                 |                 |                |                |
|--|--------------------|--------------------|---------------------|-------------------|-------------------|------------------------------|-----------------|-----------------|----------------|----------------|
|  | 2022               | 2021               | 2020                | 2019              | 2018              | 2022                         | 2021            | 2020            | 2019           | 2018           |
| <b>REVENUES</b>  |                    |                    |                     |                   |                   |                              |                 |                 |                |                |
| Property Taxes   | \$ 789,284         | \$ 528,269         | \$ 399,236          | \$ 316,295        | \$ 315,941        | 95.5 %                       | 96.3 %          | 96.9 %          | 96.9 %         | 97.1 %         |
| Penalty, Interest and Miscellaneous Revenues                         | 24,540             | 11,636             | 5,193               | 3,349             | 4,032             | 3.0                          | 2.1             | 1.3             | 1.0            | 1.2            |
| Tax Rebate   | 12,418             | 8,791              | 7,375               | 6,863             | 5,444             | 1.5                          | 1.6             | 1.8             | 2.1            | 1.7            |
| <b>TOTAL REVENUES</b>  | <u>\$ 826,242</u>  | <u>\$ 548,696</u>  | <u>\$ 411,804</u>   | <u>\$ 326,507</u> | <u>\$ 325,417</u> | <u>100.0 %</u>               | <u>100.0 %</u>  | <u>100.0 %</u>  | <u>100.0 %</u> | <u>100.0 %</u> |
| <b>EXPENDITURES</b>  |                    |                    |                     |                   |                   |                              |                 |                 |                |                |
| Tax Collection and Bond Issuance Costs                               | \$ 37,291          | \$ 27,391          | \$ 176,581          | \$ 15,923         | \$ 15,395         | 4.5 %                        | 5.0 %           | 42.9 %          | 4.9 %          | 4.7 %          |
| Debt Service Principal   | 400,000            | 325,000            | 205,000             | 150,000           | 145,000           | 48.4                         | 59.2            | 49.8            | 45.9           | 44.6           |
| Debt Service Interest  | 447,790            | 251,801            | 168,781             | 169,150           | 171,825           | 54.2                         | 45.9            | 41.0            | 51.8           | 52.8           |
| <b>TOTAL EXPENDITURES</b>  | <u>\$ 885,081</u>  | <u>\$ 604,192</u>  | <u>\$ 550,362</u>   | <u>\$ 335,073</u> | <u>\$ 332,220</u> | <u>107.1 %</u>               | <u>110.1 %</u>  | <u>133.7 %</u>  | <u>102.6 %</u> | <u>102.1 %</u> |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>\$ (58,839)</u> | <u>\$ (55,496)</u> | <u>\$ (138,558)</u> | <u>\$ (8,566)</u> | <u>\$ (6,803)</u> | <u>(7.1) %</u>               | <u>(10.1) %</u> | <u>(33.7) %</u> | <u>(2.6) %</u> | <u>(2.1) %</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                    |                    |                     |                   |                   |                              |                 |                 |                |                |
| Payment to Refunded Bond Escrow Agent                                | \$                 | \$                 | \$ (3,142,221)      | \$                | \$                |                              |                 |                 |                |                |
| Proceeds From Issuance of Long-Term Debt                             |                    | 270,869            | 3,362,362           | 77,725            |                   |                              |                 |                 |                |                |
| <b>TOTAL OTHER FINANCING SOURCES, NET</b>                            | <u>\$ - 0 -</u>    | <u>\$ 270,869</u>  | <u>\$ 220,141</u>   | <u>\$ 77,725</u>  | <u>\$ - 0 -</u>   |                              |                 |                 |                |                |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | \$ (58,839)        | \$ 215,373         | \$ 81,583           | \$ 69,159         | \$ (6,803)        |                              |                 |                 |                |                |
| <b>BEGINNING FUND BALANCE</b>  | 588,147            | 372,774            | 291,191             | 222,032           | 228,835           |                              |                 |                 |                |                |
| <b>ENDING FUND BALANCE</b>   | <u>\$ 529,308</u>  | <u>\$ 588,147</u>  | <u>\$ 372,774</u>   | <u>\$ 291,191</u> | <u>\$ 222,032</u> |                              |                 |                 |                |                |
| <b>TOTAL ACTIVE RETAIL WATER<br/>CONNECTIONS</b>                     | <u>N/A</u>         | <u>N/A</u>         | <u>N/A</u>          | <u>N/A</u>        | <u>N/A</u>        |                              |                 |                 |                |                |
| <b>TOTAL ACTIVE RETAIL WASTEWATER<br/>CONNECTIONS</b>                | <u>N/A</u>         | <u>N/A</u>         | <u>N/A</u>          | <u>N/A</u>        | <u>N/A</u>        |                              |                 |                 |                |                |

See accompanying independent auditor's report.

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

District Mailing Address - Conroe Municipal Utility District No. 1  
c/o Allen Boone Humphries Robinson LLP  
3200 Southwest Freeway, Suite 2600  
Houston, TX 77027

District Telephone Number - (713) 860-6400

| <b>Board Members</b> | Term of<br>Office<br>(Elected or<br>Appointed) | Fees of Office<br>for the<br>year ended<br>December 31,<br>2022 | Expense<br>Reimbursements<br>for the<br>year ended<br>December 31,<br>2022 | Title                          |
|----------------------|--|---|--|--------------------------------|
| Betty Boren Avery    | 05/20 –<br>05/24<br>(Elected)                  | \$ 1,650  | \$ 84  | President                      |
| Diane Moore          | 05/22 –<br>05/26<br>(Elected)                  | \$ 1,500  | \$ 132   | Vice<br>President              |
| Charles R. Atkinson  | 05/20 –<br>05/24<br>(Elected)                  | \$ 1,200  | \$ 133   | Assistant<br>Vice<br>President |
| Julie Crum           | 05/22 –<br>05/26<br>(Elected)                  | \$ 1,200  | \$ 154   | Secretary                      |
| Travis H. Harrison   | 05/22 –<br>05/26<br>(Elected)                  | \$ 750  | \$ 90  | Assistant<br>Secretary         |

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

Submission date of most recent District Registration Form: November 21, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is the maximum amount allowed by law as set by Board Resolution on August 14, 2006. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

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

| <b>Consultants:</b>                                 | <u>Date Hired</u> | <u>Fees for the<br/>year ended<br/>December 31,<br/>2022</u> | <u>Title</u>                    |
|---|-------------------|--|---------------------------------|
| Allen Boone Humphries Robinson LLP                  | 08/14/06          | \$ 77,376<br>\$ 119,092                                      | General Counsel<br>Bond Counsel |
| McCall Gibson Swedlund Barfoot PLLC                 | 01/19/10          | \$ 15,000<br>\$ 21,000                                       | Audit Related<br>Bond and AUP   |
| Municipal Accounts & Consulting, L.P.               | 08/14/06          | \$ 46,479<br>\$ 4,000  | Bookkeeper<br>Bond Related      |
| Perdue, Brandon, Fielder, Collins & Mott,<br>L.L.P. | 08/14/09          | \$ 2,948   | Delinquent Tax<br>Attorney      |
| Vogt Engineering, L.P.                              | 08/14/06          | \$ 8,696   | Engineer                        |
| Jones-Heroy & Associates, Inc.                      | 11/19/13          | \$ 47,632  | Bond Engineer                   |
| Ghia Lewis  | 11/19/19          | \$ -0-   | Investment<br>Officer           |
| Masterson Advisors LLC                              | 07/17/18          | \$ 87,268  | Financial Advisor               |
| Utility Tax Service                                 | 05/22/07          | \$ 17,423  | Tax Assessor/<br>Collector      |

See accompanying independent auditor's report.



**APPENDIX B**

**Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIMEN



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

Email:

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

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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