

OFFICIAL STATEMENT DATED OCTOBER 8, 2024

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

*The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.*

NEW ISSUE - Book-Entry-Only

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
(A Political Subdivision of the State of Texas, located within Montgomery County)

**\$10,705,000**  
**UNLIMITED TAX BONDS**  
**SERIES 2024**

**Dated: November 1, 2024**

**Interest Accrues From: Date of Delivery**

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

The \$10,705,000 Montgomery County Municipal Utility District No. 191 Unlimited Tax Bonds, Series 2024 (the "Bonds") are obligations of Montgomery County Municipal Utility District No. 191 (the "District") and are not obligations of the State of Texas; the City of Conroe, Texas; Montgomery County, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; the City of Conroe, Texas; Montgomery County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially BOKF, NA, Dallas, Texas, as the initial paying agent/registrars (the "Paying Agent/Registrar") for the Bonds. The Bonds are dated November 1, 2024 (the "Dated Date"), and will accrue interest from the initial date of delivery (on or about November 7, 2024) (the "Date of Delivery"), and is payable March 1, 2025, and on each September 1 and March 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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 as described herein. See "THE BONDS - Book-Entry-Only System."

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

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



The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. Investment in the Bonds is subject to special risk factors as described herein. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the initial purchaser of the Bonds (the "Initial Purchaser"), subject, among other things, to the approval of the Attorney General of Texas and The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 7, 2024.

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

**\$10,705,000 Unlimited Tax Bonds, Series 2024**

**\$9,875,000 Serial Bonds**

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61374L (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 61374L (b)
2026	\$240,000	6.000%	3.050%	AA1	***	***	***	***	***
2027	250,000	6.000%	3.050%	AB9	2040 (c)	\$445,000	4.000%	4.050%	AQ6
2028	265,000	6.000%	3.050%	AC7	2041 (c)	465,000	4.000%	4.090%	AR4
2029	275,000	6.000%	3.100%	AD5	2042 (c)	485,000	4.000%	4.110%	AS2
2030	285,000	6.000%	3.150%	AE3	2043 (c)	510,000	4.000%	4.130%	AT0
2031 (c)	300,000	6.000%	3.200%	AF0	2044 (c)	530,000	4.000%	4.150%	AU7
2032 (c)	315,000	6.000%	3.250%	AG8	2045 (c)	555,000	4.000%	4.170%	AV5
2033 (c)	325,000	3.500%	3.550%	AH6	2046 (c)	580,000	4.000%	4.190%	AW3
2034 (c)	340,000	3.500%	3.650%	AJ2	2047 (c)	605,000	4.000%	4.200%	AX1
2035 (c)	355,000	3.625%	3.750%	AK9	2048 (c)	635,000	4.000%	4.210%	AY9
2036 (c)	375,000	3.750%	3.850%	AL7	2049 (c)	660,000	4.000%	4.220%	AZ6
2037 (c)	390,000	3.750%	3.950%	AM5	2050 (c)	690,000	4.000%	4.230%	BA0

**\$830,000 Term Bond**

\$830,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$100.000) (a), CUSIP No. 61374L AP8 (b)

- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS - Redemption of the Bonds - *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth under "THE BONDS - Redemption of the Bonds - *Mandatory Redemption*."

**USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

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

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

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

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 "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the lowest bid, resulting in the lowest net effective interest rate which was tendered by SAMCO Capital Markets Inc. (referred to herein as the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown on the inside cover at a price of 97.003029% of the par value thereof, which resulted in a net effective interest rate of 4.258625%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

### **Prices and Marketability**

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

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

### **Securities Laws**

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

## **MUNICIPAL BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, BAM will issue a 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.”

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: <https://bambonds.com/>

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

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

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2024, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$232.7 million, and \$253.3 million, respectively.

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

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

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

#### *Additional Information Available from BAM*

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

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

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

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

## **RATING**

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

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

*[Remainder of Page Intentionally Left Blank]*

## OFFICIAL STATEMENT SUMMARY

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

### THE BONDS

The Issuer .....	Montgomery County Municipal Utility District No. 191 (the "District"), a political subdivision of the State of Texas, is located in Montgomery County, Texas. See "THE DISTRICT."
The Issue .....	The \$10,705,000 Unlimited Tax Bonds, Series 2024 (the "Bonds") are dated November 1, 2024 (the "Dated Date"), and interest accrues from the initial date of delivery (on or about November 7, 2024) (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable March 1, 2025, and each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds mature serially on September 1, in each of the years 2026 through 2050, both inclusive, in the principal amounts set forth on the inside cover page, unless the winning bidder for the Bonds elects to combine two or more maturities into term bonds.
Redemption of the Bonds.....	<p>The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – <i>Optional Redemption.</i>"</p> <p>The Bonds maturing on September 1, 2026, through September 1, 2037, both inclusive, and on September 1, 2040, through September 1, 2050, both inclusive, are serial bonds.</p> <p>The Bond maturing September 1, 2039, is a term bond, which is subject to mandatory sinking fund redemption provisions set out herein under "THE BONDS – Redemption of the Bonds – <i>Mandatory Redemption.</i>"</p>
Book-Entry-Only System.....	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as the initial paying agent/registrar (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Source of Payment .....	The Bonds are payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Conroe, Texas, Montgomery County, Texas, the State of Texas, or any entity other than the District. See "THE BONDS – Source of Payment."
Use of Proceeds .....	Proceeds from the sale of the Bonds will be used by the District to reimburse Pulte (herein defined) for a portion of the improvements and related costs as shown herein under "THE BONDS – Use and Distribution of Bond Proceeds." Additionally, proceeds from the sale of the Bonds will be used to pay six (6) months of capitalized interest, developer interest, operating advances, and other certain costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Not Qualified Tax-Exempt Obligations.....	The Bonds are not "qualified tax-exempt obligations" within the meaning of section 265(b) of the Internal Revenue Code of 1986, as amended.
Municipal Bond Insurance.....	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Rating .....	S&P Global Ratings (BAM Insured): "AA." See "RATING."



Payment Record.....	The Bonds are the first issuance of bonded indebtedness by the District.
Authority for Issuance.....	<p>The Bonds constitute the first series of unlimited tax bonds issued by the District from the \$237,250,000 principal amount of unlimited tax bonds authorized by District’s voters for the purpose of purchasing, constructing, operating and maintaining a utility system to serve the District (“Utility System”); and \$23,725,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Utility System. The District’s voters also authorized: (i) \$99,750,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District (the “Road System”); (ii) \$9,975,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Road System; (iii) 27,225,000 principal amount of unlimited tax bonds for the purpose of constructing parks and recreational facilities (the “Park System”); and (iv) \$2,722,500 principal amount of unlimited tax bonds for the purpose of refunding bond issued for the Park System.</p> <p>Following the issuance of the Bonds, \$226,545,000 principal amount of unlimited tax bonds for the Utility System and \$23,725,000 principal amount of unlimited tax bonds for refunding such bonds; \$99,750,000 principal amount of unlimited tax bonds for the Road System and \$9,975,000 principal amount of unlimited tax bonds for refunding such bonds; and \$27,225,000 principal amount of unlimited tax bonds for the Park System and \$2,722,500 principal amount of unlimited tax bonds for refunding such bonds, will remain authorized and unissued.</p> <p>The Bonds are issued pursuant to (i) a resolution authorizing the issuance of the Bonds (the “Bond Resolution”), adopted by the Board of Directors of the District on the date of the sale of the Bonds; (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held in the District, and passed by the participating voters; and (iv) an order of the Texas Commission on Environmental Quality (“TCEQ”). See “THE BONDS – Authority for Issuance.”</p>
Bond Counsel .....	The Muller Law Group, PLLC, Sugar Land, Texas.
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas.
District Engineer.....	Elevation Land Solutions, Houston, Texas.
Paying Agent/Registrar .....	BOKF, NA, Dallas, Texas.

**THE DISTRICT**

Description..... The District is a political subdivision of the State of Texas, and was created pursuant to an Order Dividing District Into Three Districts, adopted by Montgomery County Municipal Utility District No. 163 (“MUD 163” or the “Master District”) on February 10, 2021, as authorized by House Bill No. 4679, Chapter 935, Special District Local Laws Code, Acts of the 86<sup>th</sup> Legislature, Regular Session 2019, codified as Chapter 8091, Special District Local Laws Code (the “Act”). The District operates under the Act, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas. The District is comprised of approximately 479 acres.

The Master District serves as the provider of regional water, wastewater, drainage, road, and park and recreational facilities and services to its approximate 1,810-acre service area (the “Service Area”) currently comprised of the District, Montgomery County Municipal Utility District No. 162 (“MUD 162”), MUD 192, and Montgomery County Municipal Utility District No. 194 (“MUD 194”). MUD 193 is currently not included in the Service Area.

The Master District only provides facilities and services to those municipal utility districts within the Service Area that have approved the Contract for Construction, Financing, Operation, and Maintenance of Regional Facilities

(the "Master District Contract") after approval of the Master District Contract by such district's voters at an election called for such purpose. After voter and district approval of the Master District Contract by a district within the Service Area, such district is deemed a "Participant." Currently, only the District and MUD 162 have approved the Master District Contract and are Participants in the Master District system.

Location..... The District is located in southeast Montgomery County, approximately nine (9) miles southeast of the central business district of the City of Conroe, Texas, near the intersection of FM1314 and State Highway 242. The District is located entirely within the extraterritorial jurisdiction of the City of Conroe and within Conroe Independent School District.

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

The Master District Contract defines two sub-service areas within the Service Area. These sub-service areas consist of the "East Service Area," generally consisting of approximately 853 acres of land within the Service Area east of FM 1314, and the "West Service Area," generally consisting of approximately 957 acres of land within the Service Area west of FM 1314, all as more particularly described in the Master District Contract. The East Service Area includes MUD 191 and MUD 192 (although MUD 192 is not currently a Participant because it is not active or developing and has not approved the Master District Contract) and is being primarily developed by Pulte (herein defined) and Meritage (defined herein) as the Maveria master-planned community.

The West Service Area includes MUD 162 and MUD 194 (although MUD 194 is not currently a Participant because it is not active or developing and has not approved the Master District Contract) and is being primarily developed by Shea (herein defined) as the Evergreen master-planned community. MUD 191 and MUD 191 are collectively referred to herein as the "Participants."

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

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

Outstanding Master District Bonds..... The Master District has previously issued one series of contract revenue bonds for the East Service Area: \$7,965,000 Contract Revenue Bonds (East Service Area), Series 2023, and it is anticipated that the Master District will sell additional series of bonds for facilities serving the East Service Area. The District is required, pursuant to the Master District Contract, to pay its pro-rata share of the debt service obligations of any Master District Bonds issued for the facilities serving the East Service Area. Currently, as the only

Participant in the East Service Area, the District's pro-rata share of Master District Bonds for the East Service Area is 100%.

Developers ..... Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte") who is wholly-owned by PulteGroup, Inc. ("PulteGroup"), is the developer of approximately 95.6 acres of residential land within the District being marketed as Maveria.

Approximately 24 acres of land in the District is being developed by Meritage Homes of Texas, L.L.C., an Arizona limited liability company ("Meritage"). On September 29, 2023, Meritage purchased one model lot in the model park and approximately 24 acres from Pulte and have developed the 24 acres in Section 10B (127 lots, 23.84 acres). Pulte and Meritage are collectively referred to as the "Developers." See "THE DEVELOPERS" and "DEVELOPMENT OF THE DISTRICT."

Development within the District ..... Out of the approximately 479,222 total acres in the District, approximately 243.45 acres (974 lots) within the District have been developed into the single-family subdivision of Maveria, Sections 1 – 10B. As of September 1, 2024, the District was comprised of 483 completed homes (357 occupied and 126 unoccupied), 93 homes under construction, and approximately 398 vacant developed lots. The remaining land within the District is owned by Pulte and consists of approximately 132.50 acres under design or under development, approximately 20.00 undeveloped but developable acre and approximately 83.27 undevelopable acres. See "DEVELOPMENT OF THE DISTRICT – Status of Development within the District."

Homebuilders Within the District ..... Current homebuilders within the District include Pulte Homes, Beazer Homes and Meritage Homes. Prices of new homes being constructed within the District range in price from approximately \$247,490 to over \$430,990 and in size from approximately 1,204 square feet to over 3,265 square feet. See "THE DEVELOPERS – Homebuilders within the District."

Strategic Partnership Agreement ..... The Master District and the Participants have entered into agreements with the City (the "Strategic Partnership Agreements"). The Strategic Partnership Agreements provide, among other things, the terms under which the City can annex or dissolve the District. The City may also permit the District to continue to exist upon annexation for limited purposes, such as payment of the Bonds. Once the District is dissolved (if it is dissolved by the City), the Bonds and any contract payments required by the Master District Contract to pay the District's pro-rata share of debt service on bonds issued by the Master District will become obligations of the City. See "THE PARTICIPANTS – Annexation – Strategic Partnership Agreements."

**RISK FACTORS**

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

**SELECTED FINANCIAL INFORMATION  
(UNAUDITED)**

2024 Certified Taxable Assessed Valuation.....	\$ 105,791,650	(a)
Estimated Taxable Valuation as of May 1, 2024.....	\$ 151,514,508	(b)
Direct Debt:		
The Bonds .....	<u>\$ 10,705,000</u>	
Total .....	\$ 10,705,000	
Estimated Overlapping Debt .....	<u>\$ 9,720,623</u>	(c)
Total Direct and Estimated Overlapping Debt .....	<u>\$ 20,425,623</u>	
Direct Debt Ratios:		
As a percentage of 2024 Certified Taxable Assessed Valuation .....	10.12 %	
As a percentage of the Estimated Taxable Valuation as of May 1, 2024.....	7.07 %	
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2024 Certified Taxable Assessed Valuation.....	19.31 %	
As a percentage of the Estimated Taxable Valuation as of May 1, 2024.....	13.48 %	
Utility System Debt Service Fund Balance (as of delivery of the Bonds) .....	\$ 230,116	(d)
General Fund Balance (as of September 13, 2024).....	\$ 181,419	(e)
2024 Tax Rate per \$100 of Assessed Taxable Valuation		
Utility System Debt Service.....	\$ 0.48	
Contract Tax .....	\$ 0.55	
Maintenance and Operations.....	<u>\$ 0.32</u>	
Total.....	\$ 1.35	(f)
Average Annual Debt Service Requirements on the Bonds (2025-2050).....	\$ 681,005	(g)
Maximum Annual Debt Service Requirements on the Bonds (2050).....	\$ 717,600	(g)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds (2025-2050) at 95% Tax Collections:		
Based Upon 2024 Certified Taxable Assessed Valuation (\$105,791,650).....	\$ 0.68	
Based Upon the Estimated Taxable Valuation as of May 1, 2024 (\$151,514,508).....	\$ 0.48	
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds (2050) at 95% Tax Collections:		
Based Upon 2024 Certified Taxable Assessed Valuation (\$105,791,650).....	\$ 0.72	
Based Upon the Estimated Taxable Valuation as of May 1, 2024 (\$151,514,508).....	\$ 0.50	
Number of Single-Family Homes (including 93 homes in various stages of construction) as of September 1, 2024.....		576

- (a) As certified by the Montgomery Central Appraisal District (the "Appraisal District") as of January 1, 2024. All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. Includes \$864,536, which represents 80% of value in the District which remains uncertified. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through May 1, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) This includes \$7,965,000 principal amount of Contract Revenue Bonds issued by the Master District (herein defined) for the East Service Area (herein defined), which the District is responsible for levying a contract tax to pay its pro-rata share of, which, as the only Participant currently in the East Service Area, is 100%. See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) Represents six (6) months of capitalized interest to be deposited into the Utility System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, wastewater, and drainage facilities (e.g., the Bonds) and are not available to pay debt service on bonds issued by the District for road purposes.
- (e) See "RISK FACTORS – Operating Funds."
- (f) The District is authorized to levy separate debt service taxes for its road debt and its water, wastewater, drainage, and park debt, both of which are unlimited as to rate or amount. See "THE BONDS – Authority for Issuance."
- (g) See "DISTRICT DEBT – Debt Service Requirement Schedule."

## MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191

### \$10,705,000 UNLIMITED TAX BONDS SERIES 2024

#### INTRODUCTION

This Official Statement of Montgomery County Municipal Utility District No. 191 (the "District") is provided to furnish information with respect to the issuance by the District of its \$10,705,000 Unlimited Tax Bonds, Series 2024 (the "Bonds"). The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) an election held within the District; (iii) a resolution adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds (the "Bond Resolution"); and (iv) an order of the Texas Commission on Environmental Quality (the "TCEQ").

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

#### RISK FACTORS

##### General

The Bonds, which are obligations of the District and not of the State of Texas, Montgomery County, Texas (the "County"), the City of Conroe, Texas (the "City"), or any political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District (see "THE BONDS – Source of Payment"). Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

##### Factors Affecting Taxable Values and Tax Payments

***Economic Factors:*** The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, credit availability, energy costs and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

***Developer:*** There is no commitment by or legal requirement 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 in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. There are approximately 398 vacant developed lots and approximately 20 developable acres remaining within the District. See "DEVELOPMENT OF THE DISTRICT."

***Dependence on Principal Taxpayers:*** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt-service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," as of January 1, 2024, the District's principal taxpayers owned property located within the District the aggregate taxable assessed valuation of which comprised approximately 30.40% of the District's total assessed valuation. Pulte Homes of Texas, L.P., ("Pulte") a developer within the District, owns approximately 23.95% of the District's total assessed valuation. In the event that the Developers, any principal taxpayer, or any combination of taxpayers, should 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 will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund.

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2024 Certified Taxable Assessed Valuation of property located within the District (see "TAX DATA") is \$105,791,650, and the Estimated Taxable Valuation as of May 1, 2024, is \$151,514,508. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds will be \$717,600 (2050) and the average annual debt service requirements on the Bonds will be \$681,005 (2025-2050). Assuming no increase to nor decrease from the 2024 Certified Taxable Assessed Valuation, tax rates of \$0.72 and \$0.68 per \$100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the Estimated Taxable Valuation as of May 1, 2024, tax rates of \$0.50 and \$0.48 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. For the 2024 tax year, the District levied a total tax rate of \$1.35 per \$100 of assessed valuation composed of \$0.32 per \$100 of assessed valuation for maintenance and operation, \$0.48 per \$100 of assessed valuation for debt service, and \$0.55 per \$100 of assessed valuation for contract tax.

### **Vacant Developed Lots**

As of September 1, 2024, approximately 398 vacant developed lots within the District remained available for construction. Failure of the Developers and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

### **Operating Funds**

The District levied a 2024 maintenance tax of \$0.32 per \$100 of assessed valuation. The District's general fund balance as of September 13, 2024, was \$181,419. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, (2) increased amounts of maintenance tax revenue, and (3) funds from bond issues. In the event that funds are not made available by the Developers, the District will be required to levy a maintenance tax at a rate sufficient (in combination with net revenues from the District's utility operations) to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "DISTRICT AND MASTER DISTRICT UTILITY SYSTEM – General Fund Operating Statement."

### **Competitive Nature of Houston Residential Housing Market**

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

### **Tax Collection Limitations**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

## **Registered Owners' Remedies and Bankruptcy**

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners of the Bonds have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a 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 in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

## **Marketability**

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

## **Operational Expenses (Master District)**

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

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

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

## **Future Debt**

The District has the right to issue the remaining: (i) \$226,545,000 authorized but unissued unlimited tax bonds for the purpose of purchasing, constructing, operating and maintaining water, wastewater, and drainage facilities to serve the District (the "Utility System") and \$23,725,000 for the further purpose of refunding such bonds; (ii) \$99,750,000 authorized but unissued unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District (the "Road System") and \$9,975,000 for the further purpose of refunding such bonds; and (iii) \$27,225,000 authorized but unissued unlimited tax bonds for the purpose of constructing parks and recreational facilities to serve the District (the "Park System") and \$2,722,500 for the further purpose of refunding such bonds (see "THE BONDS – Issuance of Additional

Debt”), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The issuance of such unlimited tax bonds for Utility System purposes and Park System purposes are also subject to approval by the TCEQ.

After reimbursement with the proceeds of the Bonds, the District will owe Pulte approximately \$44,301,855.76 for the existing Utility System facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See “THE BONDS – Issuance of Additional Debt.”

The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District’s assessed value, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of taxable property in the District.

The District’s Engineer (herein defined) estimates that the aforementioned \$226,545,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all water, wastewater, and drainage facilities to provide service to all of the currently undeveloped portions of the District.

The District’s Engineer estimates that the aforementioned \$99,750,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all road facilities to provide service to all of the currently undeveloped portions of the District.

### **Overlapping Master District Debt and Contract Tax**

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

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

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

Among other things, the Master District Contract provides that the Master District will issue bonds from time to time to finance Master District Facilities that serve the Participants (“Master District Bonds”). Such bonds will be issued as contract revenues collected by the Master District from the Participants for such purpose. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries sufficient to pay their respective pro-rata shares of the debt service payments on the Master District Bonds, including, if applicable, any charges and expenses of paying agents, registrars, and trustees utilized in connection with the Master District Bonds, the principal, interest, and redemption requirements of the Master District Bonds and all amounts required to establish and maintain funds established under the Master District Bond documents entered into by the Master District. Each Participant’s contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of Participant.

A Participant’s pro-rata share of the debt service payments on Master District Bonds is calculated as the total assessed value of taxable property located in such district divided by the total assessed value of taxable property located within the boundaries of all Participants, either within the Service Area or Sub-Service Area, as applicable. At this time, as the only Participant in the East Service Area, the District’s share of debt service payments on any Master District Bonds issued to finance only Master District Facilities serving the East Service Area would be 100%. There is no limit in the Master District Contract on the total principal amount of Master District Bonds that may be issued by the Master District. The current amount of outstanding Master District Bonds for the East Service Area is \$7,965,000 as of October 1, 2024.



## **Continuing Compliance with Certain Covenants**

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

## **Approval of the Bonds**

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

## **Specific Flood Type Risks**

The District may be subject to the following flood risks:

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

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

## **Potential 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 within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

## **National Weather Service Atlas 14 Rainfall Study**

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 on the Atlas 14 study based on 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.

## **Extreme Weather Events**

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms, hurricanes, tornadoes, flooding, and other natural disasters. 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 District cannot predict the effect that additional extreme weather events may have upon the District and the Gulf Coast. Additional extreme weather events have the potential to cause damage within the District and along the Gulf Coast generally that could have a negative effect on taxable assessed valuations in the District and the economy of the District and the region. See "TAXING PROCEDURES – Valuation of Property for Taxation."

If a future weather event or natural disaster significantly damaged taxable property within the 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 in 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.

## 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 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 “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. 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. Further, the EPA has

established a NPDWR for six (6) Per- and Polyflouroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

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

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

In 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. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

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

### **Changes in Tax Legislation**

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

### **Bond Insurance Risk Factors**

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

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

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

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

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

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

## THE BONDS

### General

The Bonds are dated November 1, 2024 (the "Dated Date"). The Bonds will accrue interest from the initial date of delivery (on or about November 7, 2024) (the "Date of Delivery"), with interest payable March 1, 2025, and each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered serial bonds maturing on September 1 of the years shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

### Book-Entry-Only System

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such

as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a 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 purchase of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

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

### Successor Paying Agent/Registrar

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

### Registration, Transfer and Exchange

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

### Redemption of the Bonds

#### *Optional Redemption*

The Bonds maturing on September 1, 2031, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

#### *Mandatory Redemption*

The Bond maturing on September 1 in the year 2039 is a term bond (the "Term Bond") and shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), and in the principal amount set forth in the following schedule:

#### \$830,000 Term Bond Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 405,000
September 1, 2039 (Maturity)	\$ 425,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term 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 the Term Bond to be mandatorily redeemed on such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District

to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

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

In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

### **Payment Record**

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

### **Authority for Issuance**

The Bonds constitute the first series of unlimited tax bonds issued by the District from the \$237,250,000 principal amount of unlimited tax bonds authorized by District's voters for the purpose of purchasing, constructing, operating and maintaining the Utility System; and \$23,725,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Utility System. The District's voters also authorized the following unlimited tax bonds: (i) \$99,750,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring the Road System; (ii) \$9,975,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued for the Road System; (iii) \$27,225,000 principal amount of unlimited tax bonds for the purpose of constructing the Park System; (iv) and \$2,722,500 principal amount of unlimited tax bonds for the purpose of refunding bond issued for the Park System.

Following the issuance of the Bonds, \$226,545,000 principal amount of unlimited tax bonds for the Utility System and \$23,725,000 principal amount of unlimited tax bonds for refunding such bonds; \$99,750,000 principal amount of unlimited tax bonds for the Road System and \$9,975,000 principal amount of unlimited tax bonds for refunding such bonds; and \$27,225,000 principal amount of unlimited tax bonds for the Park System and \$2,722,500 principal amount of unlimited tax bonds for refunding such bonds, will remain authorized and unissued.

The Bonds are issued pursuant to (i) the Bond Resolution; (ii) Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held in the District, and passed by the participating voters; and (iv) an order of the TCEQ.

### **Outstanding Master District Bonds**

The Master District has previously issued one series of contract revenue bonds for the East Service Area: \$7,965,000 Contract Revenue Bonds (East Service Area), Series 2023, and it is anticipated that the Master District will sell additional series of bonds for facilities serving the East Service Area. The District is required, pursuant to the Master District Contract, to pay its pro-rata share of the debt service obligations of any Master District Bonds issued for the facilities serving the East Service Area. Currently, as the only Participant in the East Service Area, the District's pro-rata share of Master District bonds for the East Service Area is 100%.

### **Source of Payment**

The Bonds are payable from the proceeds of a continuing direct ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy sufficient taxes to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees, and fees of the Appraisal District (herein defined). Tax proceeds, after deduction for collection costs, will be placed in the Utility System Debt Service Fund (defined below), as applicable, and used solely to pay principal of and interest on the Bonds, any additional bonds payable from taxes which may be issued for the Utility System or Park System, and fees of the Paying Agent/Registrar. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on the bonds issued for the purpose of constructing the Road System (the "Road Bonds") or any other bonds that the District may hereafter issue for the Road System. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on the Bonds, or any additional bonds that the District may hereafter issue for the Park System or Utility System.

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

### **Funds**

The Bond Resolution creates a fund for debt service on Bonds issued for the Utility System, and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility System Debt Service Fund"). Six (6) months of capitalized interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into the Utility System Debt Service Fund. The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds, and any additional unlimited tax bonds issued by the District for the Utility System and the Park System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, and any of the District's other

duly authorized bonds issued for the Utility System or Park System payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

### **Issuance of Additional Debt**

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. On May 1, 2021, the District's voters authorized the issuance of the following: \$237,250,000 principal amount of unlimited tax bonds for the Utility System and \$23,725,000 for the further purpose of refunding such bonds; and \$99,750,000 principal amount of unlimited tax bonds for the Road System and \$9,975,000 for the further purpose of refunding such bonds. On May 7, 2022, the District's voters authorized the issuance of \$27,225,000 principal amount of unlimited tax bonds for the Park System and \$2,722,500 for the further purpose of refunding such bonds. The Bonds constitute the first series of unlimited tax bonds issued by the District from the \$237,250,000 principal amount of unlimited tax bonds authorized by the District's voters for the Utility System.

Following the issuance of the Bonds, \$226,545,000 principal amount of unlimited tax bonds for the Utility System, \$99,750,000 principal amount of unlimited tax bonds for the Road System; and \$27,225,000 principal amount of unlimited tax bonds for the Park System, will remain authorized and unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, with respect to bonds issued for the purpose of the Utility System or the Park System, approved by the TCEQ). After the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$44,301,855.76 for the existing facilities.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purposes. The District has developed a park plan, and both the park plan and park bonds have been approved by District voters. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The principal amount of park bonds sold by the District may not exceed one percent of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not greater than three percent of the value of the taxable property in the District.

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 fire plan and bonds for such purposes by the qualified voters in the District; (b) approval of the fire 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.

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.

### **Annexation – Strategic Partnership Agreements**

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. For the City of Conroe (the "City"), the extraterritorial jurisdiction consists of all the contiguous unincorporated areas, not a part of any other city or any other city's extraterritorial jurisdiction and within two (2) miles of the corporate limits of the City. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation.

The District lies within the extraterritorial jurisdiction of the City. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement under Section 43.0751, Texas Local Government Code between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

The District and the City entered into a strategic partnership agreement (the "SPA"). Pursuant to the SPA, which sets forth the terms of full purpose annexation, the City will not annex the property in the District until the earlier of (i) at least 95% of the developable acreage within the District has been developed with water, wastewater, and drainage facilities, and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ for such facilities. If the District is annexed and dissolved, the City will assume the District's assets and obligations (including the Bonds). The City may also annex the District and permit it to continue to exist as a limited district for the purpose of continuing to pay the



District's bonds and providing its services. No representation is made as to whether or not the City will annex the District at any time in the future. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

The SPA allows for annexation for certain limited purposes, such as the provision of certain municipal services. If such limited purpose annexation were to occur, the District would continue to retain all of its rights, powers, and authority, except the City's right to provide certain services. See "DEVELOPMENT OF 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.

### **No Arbitrage**

The District will certify, on the date of delivery of the Bonds, that based upon all facts and estimates now 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 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.

### **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 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.

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

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

"(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies,

subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

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

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

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

### **Registered Owners' Remedies**

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payments of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

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

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**Use and Distribution of Bond Proceeds**

Proceeds from the sale of the Bonds will be used by the District to reimburse the Developer (herein defined) for a portion of the improvements and related costs as shown below. Additionally, proceeds from the sale of the Bonds will be used to pay six (6) months of capitalized interest, developer interest, operating advances, and other certain costs associated with the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District’s auditor. Totals may not sum due to rounding.

	<u>Amount</u>
<b><u>CONSTRUCTION COSTS</u></b>	
A. Developer Contribution Items	
1. Maveria Section 1 & Collector Road – W, WW & D	\$ 245,477
2. Maveria Section 2 - 4 and Phase 2 Collector Road – W, WW & D	3,617,503
3. Maveria Section 5 - 7 and Phase 3 Collector Road – W, WW & D	2,462,315
4. Engineering (Items No. 1-3)	763,516
5. Materials Testing (Items No. 1-3)	112,034
6. Stormwater Pollution Prevention Planning for Items No. 1-3	<u>72,587</u>
Total Developer Contribution Items	\$ 7,273,432
B. District Items	
1. Water & Wastewater Capacity Purchase	<u>\$ 565,300</u>
Total District Items	\$ 565,300
<b>TOTAL CONSTRUCTION COSTS (73.22% of BIR)</b>	<b>\$ 7,838,732</b>
<b><u>NON-CONSTRUCTION COSTS</u></b>	
A. Legal Fees	\$ 242,338
B. Fiscal Agent Fees	214,100
C. Interest Costs	
1. Developer Interest	1,110,252
2. Capitalized Interest	230,116
D. Bond Discount	320,826
E. Operating Advances	519,193
F. TCEQ Bond Issuance Fee (0.25%)	26,763
G. Attorney General Fee (0.10%)	9,500
H. Bond Application Report Cost	76,558
I. Bond Issuance Costs	65,408
J. Contingency (a)	<u>51,214</u>
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$ 2,866,268</b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u>\$ 10,705,000</u></b>

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

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

## THE DISTRICT

### Authority

The District is a political subdivision of the State of Texas, and was created pursuant to an Order Dividing District Into Three Districts, adopted by Montgomery County Municipal Utility District No. 163 (“MUD 163” or the “Master District”) on February 10, 2021, as authorized by House Bill No. 4679, Chapter 935, Special District Local Laws Code, Acts of the 86<sup>th</sup> Legislature, Regular Session 2019, codified as Chapter 8091, Special District Local Laws Code (the “Act”). The District operates under the Act, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas. The District is comprised of approximately 479 acres.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

The District also is authorized to construct, develop, and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes, and to construct roads.

### Description

The District was originally created through a division of Montgomery County Municipal Utility District No. 163 (the “Master District” or “MUD 163”). On February 10, 2021, the Master District was divided into three municipal utility districts: Montgomery County Municipal Utility District No. 192 (“MUD 192”), the Master District and the District. On June 2, 2022, the Master District was further divided into two more municipal utility districts: the Master District and Montgomery County Municipal Utility District No. 193 (“MUD 193”).

At the time of creation, the District encompassed approximately 224.997 acres. The District has since annexed 117.762 acres on September 22, 2021, and 136.475 acres on August 9, 2024. Currently, the District encompasses approximately 479.222 acres. The District is located in southeast Montgomery County, approximately nine (9) miles southeast of the central business district of the City of Conroe, Texas, near the intersection of FM1314 and State Highway 242. The District is located entirely within the extraterritorial jurisdiction of the City of Conroe and within Conroe Independent School District.

### Management of the District

The District is governed by the Board consisting of five (5) directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
David Chambers	President	2028
Shaun Smith	Vice President	2026
Phillip Smith, Jr.	Secretary	2026
Carlos Castrejon	Assistant Secretary	2028
Greg McGrath	Assistant Vice President	2028

### Investment Policy

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

## **Consultants**

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

### ***Tax Assessor/Collector***

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

### ***Bookkeeper***

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

### ***System Operator***

The District's operator is Environmental Development Partners, LLC, Spring, Texas.

### ***Auditor***

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District's financial statements for the fiscal year ended September 30, 2023, were audited by McCall Gibson Swedlund Barfoot, PLLC, Houston, Texas (the "Auditor"), and are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS OF THE DISTRICT."

### ***Engineers***

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

### ***Bond & General Counsel***

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

### ***Disclosure Counsel***

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

### ***Financial Advisor***

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

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**DEVELOPMENT OF THE DISTRICT**

**Status of Development within the District**

Out of the approximately 479.222 total acres in the District, approximately 243.45 acres (974 lots) within the District have been developed into the single-family subdivision of Maveria, Sections 1 – 10B. As of September 1, 2024, the District was comprised of 483 completed homes (357 occupied and 126 unoccupied), 93 homes under construction, and approximately 398 vacant developed lots. The remaining land within the District is owned by Pulte and consists of approximately 132.50 acres under design or under development, approximately 20.00 undeveloped but developable acre and approximately 83.27 undevelopable acres.

The following is a status of construction of single-family housing within the District as of September 1, 2024:

	Acreage	Lots	Completed Homes	Homes Under Construction	Remaining Vacant Developed Lots
Maveria					
Section 1	26.82	14	7	0	7
Section 2	19.81	73	73	0	0
Section 3	21.52	103	103	0	0
Section 4	20.06	91	77	4	10
Section 5	16.21	86	81	4	1
Section 6	31.53	111	17	15	79
Section 7	24.13	93	72	15	6
Section 8	35.85	150	18	31	101
Section 9	18.66	97	0	5	92
Section 10A	5.02	29	0	0	29
Section 10B	23.84	127	35	19	73
<b>Total</b>	<b>243.45</b>	<b>974</b>	<b>483</b>	<b>93</b>	<b>398</b>
Acres Under Construction/Under Design	132.50				
Remaining Undeveloped but Developable Acres	20.00				
Undevelopable Acres	83.27				
<b>Total</b>	<b>479.222</b>				

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## THE DEVELOPERS

### Role of the Developer

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

Neither the Developers, nor any affiliate entity, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developers or its affiliate entities has a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers or their affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

### Developers

Pulte Homes of Texas, L.P., a Texas limited partnership ("Pulte") wholly-owned by PulteGroup, Inc. ("PulteGroup") is a developer in the District. Pulte has developed approximately 229.21 acres into Maveria, Sections 1 – 10A, and currently owns approximately 20.00 remaining developable acres and approximately 83.27 undevelopable acres in the District.

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

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

Approximately 24 acres of land within the District is being developed by Meritage Homes of Texas, L.L.C., an Arizona limited liability company ("Meritage"). Meritage is wholly-owned by Meritage Homes of Texas Holding, Inc., an Arizona corporation ("Meritage Holding"). Meritage Holding is wholly-owned by Meritage Homes Corporation. Meritage Homes Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange under the symbol MTH. Meritage Homes Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Meritage Homes Corporation can be inspected at the office of the SEC at Judiciary Plaza, 14 Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a World Wide Web site on the Internet at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. Reference to the financial information concerning Meritage Homes Corporation is relevant, among other reasons, to the ability of Meritage Homes to continue to develop land in the District and to pay taxes levied by the District and other taxing entities. Neither Meritage Homes, Meritage Holding, nor Meritage Homes Corporation has made any commitment to pay debt service on the Bonds, and reference to the financial information of Meritage Homes Corporation in this Official Statement should not be so construed. The District has not obtained any representations from Meritage Homes Corporation concerning its publicly available filings or undertaken any review thereof and assumes no responsibility for the information contained therein.

Meritage purchased approximately 23.84 acres from Pulte on September 29, 2023, and has developed the 23.84 acres into Mavera, Section 10, which has 127 residential single-family lots.

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

**Homebuilders within the District**

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

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT  
(taken September 2024)



**DISTRICT DEBT**

**Debt Service Requirement Schedule**

The following schedule sets forth the principal requirements for the Bonds, as well as interest requirements for the Bonds. Totals may not sum due to rounding.

Year	The Bonds		
	Principal	Interest	Total New Debt Service
2025	\$ -	\$ 375,856	\$ 375,856
2026	240,000	460,231	700,231
2027	250,000	445,831	695,831
2028	265,000	430,831	695,831
2029	275,000	414,931	689,931
2030	285,000	398,431	683,431
2031	300,000	381,331	681,331
2032	315,000	363,331	678,331
2033	325,000	344,431	669,431
2034	340,000	333,056	673,056
2035	355,000	321,156	676,156
2036	375,000	308,288	683,288
2037	390,000	294,225	684,225
2038	405,000	279,600	684,600
2039	425,000	263,400	688,400
2040	445,000	246,400	691,400
2041	465,000	228,600	693,600
2042	485,000	210,000	695,000
2043	510,000	190,600	700,600
2044	530,000	170,200	700,200
2045	555,000	149,000	704,000
2046	580,000	126,800	706,800
2047	605,000	103,600	708,600
2048	635,000	79,400	714,400
2049	660,000	54,000	714,000
2050	690,000	27,600	717,600
Total	\$ 10,705,000	\$ 7,001,131	\$ 17,706,131

Average Annual Debt Service Requirements on the Bonds (2025-2050).....	\$	681,005
Maximum Annual Debt Service Requirements on the Bonds (2050).....	\$	717,600

**Contract Revenue Debt Service Requirement Schedule (Master District East Service Area Bonds)**

The following schedule sets forth the District's pro-rata share (currently 100%) of the principal and interest requirements for the Master District's outstanding East Service Area Contract Revenue Bonds. Totals may not sum due to rounding.

Year	Contract Revenue Bonds (East Service Area)		
	Principal	Interest	Total New Debt Service
2024	\$ -	\$ 210,800	\$ 210,800
2025	145,000	421,600	566,600
2026	155,000	410,906	565,906
2027	165,000	399,475	564,475
2028	170,000	387,306	557,306
2029	185,000	374,769	559,769
2030	195,000	361,125	556,125
2031	205,000	346,744	551,744
2032	220,000	333,419	553,419
2033	230,000	322,419	552,419
2034	245,000	310,919	555,919
2035	260,000	298,669	558,669
2036	275,000	285,669	560,669
2037	290,000	271,919	561,919
2038	310,000	257,419	567,419
2039	330,000	241,919	571,919
2040	345,000	225,419	570,419
2041	370,000	208,169	578,169
2042	390,000	189,669	579,669
2043	415,000	170,169	585,169
2044	440,000	149,419	589,419
2045	465,000	127,969	592,969
2046	495,000	105,300	600,300
2047	525,000	81,169	606,169
2048	555,000	55,575	610,575
2049	585,000	28,519	613,519
Total	\$ 7,965,000	\$ 6,576,450	\$ 14,541,450

*[Remainder of Page Intentionally Left Blank]*

**Bonded Indebtedness**

2024 Certified Taxable Assessed Valuation.....	\$	105,791,650	(a)
Estimated Taxable Valuation as of May 1, 2024.....	\$	151,514,508	(b)
Direct Debt:			
The Bonds .....	\$	<u>10,705,000</u>	
Total .....	\$	10,705,000	
Estimated Overlapping Debt.....	\$	<u>9,720,623</u>	(c)
Total Direct and Estimated Overlapping Debt .....	\$	<u>20,425,623</u>	
Direct Debt Ratios:			
As a percentage of 2024 Certified Taxable Assessed Valuation .....		10.12 %	
As a percentage of the Estimated Taxable Valuation as of May 1, 2024.....		7.07 %	
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of 2024 Certified Taxable Assessed Valuation.....		19.31 %	
As a percentage of the Estimated Taxable Valuation as of May 1, 2024.....		13.48 %	
Utility System Debt Service Fund Balance (as of delivery of the Bonds) .....	\$	230,116	(d)
General Fund Balance (as of September 13, 2024).....	\$	181,419	(e)
2024 Tax Rate per \$100 of Assessed Taxable Valuation			
Utility System Debt Service.....	\$	0.48	
Contract Tax .....	\$	0.55	
Maintenance and Operations.....	\$	<u>0.32</u>	
Total.....	\$	1.35	(f)
Average Annual Debt Service Requirements on the Bonds (2025-2050).....	\$	681,005	(g)
Maximum Annual Debt Service Requirements on the Bonds (2050).....	\$	717,600	(g)
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds (2025-2050) at 95% Tax Collections:			
Based Upon 2024 Certified Taxable Assessed Valuation (\$105,791,650).....	\$	0.68	
Based Upon the Estimated Taxable Valuation as of May 1, 2024 (\$151,514,508).....	\$	0.48	
Debt Service Tax Rate per \$100 of Assessed Taxable Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds (2050) at 95% Tax Collections:			
Based Upon 2024 Certified Taxable Assessed Valuation (\$105,791,650).....	\$	0.72	
Based Upon the Estimated Taxable Valuation as of May 1, 2024 (\$151,514,508).....	\$	0.50	
Number of Single-Family Homes (including 93 homes in various stages of construction) as of September 1, 2024.....		576	

- (a) As certified by the Montgomery Central Appraisal District (the "Appraisal District") as of January 1, 2024. All property located in the District is valued on the tax rolls by the Appraisal District at 100% of estimated market value as of January 1 of each year. Includes \$864,536, which represents 80% of value in the District which remains uncertified. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of May 1, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through May 1, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) This includes \$7,965,000 principal amount of Contract Revenue Bonds issued by the Master District for the East Service Area, which the District is responsible for levying a contract tax to pay its pro-rata share of, which, as the only Participant currently in the East Service Area, is 100%. See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."
- (d) Represents six (6) months of capitalized interest to be deposited into the Utility System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Resolution (herein defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, wastewater, and drainage facilities (e.g., the Bonds) and are not available to pay debt service on bonds issued by the District for road purposes.
- (e) See "RISK FACTORS – Operating Funds."
- (f) The District is authorized to levy separate debt service taxes for its road debt and its water, wastewater, drainage, and park debt, both of which are unlimited as to rate or amount. See "THE BONDS – Authority for Issuance."
- (g) See "DISTRICT DEBT – Debt Service Requirement Schedule."

**Estimated Direct and Overlapping Debt Statement**

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

Taxing Jurisdiction	Outstanding Debt as of August 31, 2024	Estimated Overlapping	
		Percent	Amount
Montgomery County	\$ 417,980,000	0.04%	\$ 182,495
Conroe ISD	2,014,950,000	0.07%	1,505,310
Lone Star College System	509,390,000	0.01%	67,817
Master District – East Service Area	7,965,000	100.00%	<u>7,965,000</u>
Total Estimated Overlapping Debt			\$ 9,720,623
The District			\$ 10,705,000 (a)
Total Direct & Estimated Overlapping Debt			\$ 20,425,623

(a) The Bonds.

**Debt Ratios**

	% of 2024 Assessed Taxable Valuation	% the Estimated Taxable Valuation as of May 1, 2024
Direct Debt (a)	10.12%	7.07%
Direct and Estimated Overlapping Debt (a)	19.31%	13.48%

(a) The Bonds.

**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 sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System or Park System, and to pay the expenses of assessing and collecting such taxes (see “RISK FACTORS – Future Debt”). In the Bond Resolution, the District agrees to levy such a tax from year to year as described more fully above under “THE BONDS – Source of Payment.” See “TAX DATA – Maintenance Tax.”

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

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal District. The Appraisal District has the responsibility of appraising property for all taxing units within Montgomery County, including the District. Such appraisal values will be subject to review and change by the Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

**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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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

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

***Residential Homestead Exemptions:*** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted a homestead exemption.

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

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for

establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt 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 assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Montgomery County has not designated any of the area within the 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. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all 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% 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, including the District, may appeal orders of the Appraisal Review Board by filing a timely petition for review in district court. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding

January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 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 in writing 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 equal 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.

### **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, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a 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 Property Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. 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:* For the 2024 tax year, the Board made the determination of the District's status as a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.



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

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

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

## **TAX DATA**

### **General**

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES". The Board has in its Bond Resolution covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. See "THE BONDS" and "RISK FACTORS". For the 2024 tax year, the District levied a total tax rate of \$1.35 per \$100 of assessed valuation composed of \$0.48 per \$100 of assessed value for debt service, \$0.55 per \$100 of assessed value for contract tax, and \$0.32 per \$100 of assessed value for maintenance and operation.

### **Tax Rate Limitation**

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance (general):	\$1.50 per \$100 Assessed Taxable Valuation.
Maintenance (roads):	\$0.25 per \$100 Assessed Taxable Valuation.

### **Maintenance Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future, as well as its pro-rata share of any Master District bonds. See "- Tax Rate Distribution" below.

The District also has the authority to levy and collect an annual ad valorem tax for the maintenance of roads within the District, if such a maintenance tax is authorized by the District's voters. At the maintenance tax election conducted on May 1, 2021, voters of the District authorized the Board to levy a maintenance tax for roads at a rate not to exceed \$0.25 per \$100 of assessed valuation.

### **Additional Penalties**

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

**Tax Rate Calculations**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Taxable Valuation which would be required to meet certain debt service requirements on the Bonds if no growth in the District’s tax base occurs beyond the 2024 Certified Taxable Assessed Valuation (\$105,791,650) or the Estimated Taxable Valuation as of May 1, 2024 (\$151,514,508). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2025-2050).....	\$	681,005
Debt Service Tax Rate of \$0.68 on 2024 Certified Taxable Assessed Valuation produces.....	\$	683,414
Debt Service Tax Rate of \$0.48 on Estimated Valuation as of May 1, 2024, produces.....	\$	690,906
Maximum Annual Debt Service Requirement (2050).....	\$	717,600
Debt Service Tax Rate of \$0.72 on 2024 Certified Taxable Assessed Valuation produces.....	\$	723,615
Debt Service Tax Rate of \$0.50 on Estimated Valuation as of May 1, 2024, produces.....	\$	719,694

**Estimated Overlapping Taxes**

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

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

Taxing Jurisdictions	2023 Tax Rate Per \$100 of Assessed Valuation
The District (a)	\$ 1.350000
Montgomery County	0.369600
Montgomery County Emergency Service District No. 9	0.087900
Conroe Independent School District	0.962100
Lone Star College System	0.107600
Montgomery County Hospital District	<u>0.049800</u>
Total Tax Rate	\$ 2.927000

(a) Represents the Districts 2024 levied total tax rate.

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

**Historical Tax Collections**

Tax Year	Assessed Valuation	Tax Rate/ \$100 (a)	Adjusted Levy	% of Collections as of 08/31/2024
2021	\$ 1,626,220	\$1.350	\$ 21,954	100.00%
2022	3,037,170	1.350	41,002	100.00%
2023	40,995,958	1.350	553,445	97.13%
2024	104,927,114	1.350	1,416,516	(b)

(a) See “Tax Rate Distribution.”  
 (b) In the process of collections.

**Tax Rate Distribution**

	2024	2023	2022	2021
Utility System Debt Service	\$0.48	\$0.00	\$0.00	\$0.00
Contract Tax	\$0.55	\$0.00	\$0.00	\$0.00
Maintenance and Operations	<u>\$0.32</u>	<u>\$1.35</u>	<u>\$1.35</u>	<u>\$1.35</u>
Total	\$1.35	\$1.35	\$1.35	\$1.35

**Assessed Taxable Valuation Summary**

The following represents the type of property comprising the 2021-2024 tax rolls as certified by the Appraisal District.

Type of Property	2024 Assessed Valuation (a)	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation
Land	\$ 45,138,198	\$ 25,876,310	\$ 3,213,320	\$ 1,626,220
Improvements	64,026,989	15,976,680	0	0
Personal Property	58,166	46,385	0	0
Exemption	<u>(4,298,239)</u>	<u>(903,417)</u>	<u>(903,417)</u>	<u>(0)</u>
Total	\$ 104,927,114	\$ 40,995,958	\$ 3,037,170	\$ 1,626,220

(a) Does not include \$864,536, which represents 80% of value in the District which remains uncertified.

**Principal Taxpayers**

The following are the principal taxpayers in the District as shown on the District’s certified appraisal rolls for the 2024 tax year.

Taxpayer	Assessed Valuation 2024 Tax Roll	Percentage of 2024 Assessed Valuation
Pulte Homes of Texas LP (a) (b)	\$ 25,131,750	23.95%
Beazar Homes of Texas LP (b)	2,285,664	2.18%
Homeowner	877,785	0.84%
Homeowner	687,168	0.65%
Homeowner	566,183	0.54%
Homeowner	530,219	0.51%
Homeowner	509,609	0.49%
Homeowner	437,831	0.42%
Homeowner	436,113	0.42%
Homeowner	<u>435,850</u>	0.42%
Total	\$ 31,898,172	
Percent of Respective Tax Roll		30.40%

(a) See “THE DEVELOPERS – Developers.”

(b) See “THE DEVELOPERS – Homebuilders within the District.”

**DISTRICT AND MASTER DISTRICT UTILITY SYSTEM**

**General – The System**

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

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

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

Among other things, the Master District Contract provides that the Master District will issue bonds from time to time to finance Master District Facilities that serve the Participants ("Master District Bonds"). Such bonds will be issued as contract revenues collected by the Master District from the Participants for such purpose. The Participants are required to levy and collect a contract tax, without legal limit as to rate or amount, on all taxable property within their respective boundaries sufficient to pay their respective pro-rata shares of the debt service payments on the Master District Bonds, including, if applicable, any charges and expenses of paying agents, registrars, and trustees utilized in connection with the Master District Bonds, the principal, interest, and redemption requirements of the Master District Bonds and all amounts required to establish and maintain funds established under the Master District Bond documents entered into by the Master District. Each Participant's contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of Participant.

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

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

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

### **Regulation**

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

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

### **Water Facilities**

Pulte Homes of Texas, L.P. entered into a Wholesale Agreement for Water and Wastewater Service with Quadvest, L.P., dated January 21, 2021 (the "Wholesale Agreement") for the purpose of providing for potable water supply services to serve MUD 191. The Wholesale Agreement was subsequently amended and assigned to the District on July 14, 2021. Quadvest, L.P. subsequently assigned the agreement to Quadvest Wholesale, LLC, ("Quadvest"). Pursuant to the Wholesale Agreement, including amendments, Quadvest agreed to provide sufficient water supply capacity to serve up to 3,230 equivalent single-family connections ("ESFC").

Quadvest is providing water supply services from a water well it owns, operates, and maintains within the District. Quadvest is obligated to construct the water plant facilities as necessary and within the timeframe required to meet the needs of continued development within the District. At this time, the Master District is not providing the District or East Service Area with water supply services.

### **Wastewater Facilities**

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

### **Wholesale Agreement**

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

### **Regional Water Distribution and Wastewater Collection**

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

### **Master Drainage**

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

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

Internal water distribution, wastewater collection and storm drainage facilities have been constructed, are being constructed, or will be constructed by the Participants, including the District.

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## General Fund Operating Statement

The following is a summary of the District's operating fund activity for the fiscal year ended September 30, 2023. The summary below has been prepared by the Financial Advisor based upon information obtained from the District's audited financial statements for fiscal year ended September 30, 2023, and from information obtained by the District's bookkeeper for the period ended July 31, 2024. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	As of 07/31/24 (a)	As of September 30,	
		2023	2022
<b>Revenues</b>			
Property Taxes	\$ 510,000	\$ 41,007	\$ 21,954
Water Service	143,082	76,002	6,737
Wastewater Service	171,002	63,287	2,558
Sale of Capacity	-	-	600,000
Penalties and Interest	8,681	4,968	358
Investment Revenues	6,017	75	145
Tap Connection and Inspection	710,021	493,743	229,316
Miscellaneous	-	11,466	7,932
Total Revenues	\$ 1,661,408	\$ 690,548	\$ 869,000
<b>Expenditures</b>			
Professional Fees	\$ 79,163	\$ 71,837	\$ 84,192
Contracted Services	43,046	63,860	22,600
Purchased Water Service	236,490	194,224	19,655
Purchased Wastewater Service	249,767	110,495	825
Purchased Regional Services	-	120,505	-
Repairs and Maintenance	303,532	76,619	17,678
Other	382,239	312,085	120,596
Capital Outlay	123,605	114,320	1,324,110
Total Expenditures	\$ 1,417,842	\$ 1,063,945	\$ 1,589,656
Net Revenues (Deficit)	\$ 243,566	\$ (373,397)	\$ (720,656)
Developer Advances	\$ 112,605	\$ 481,937	\$ 244,000
Contributed by Other Govt. Unit			\$ 533,458
Internal Transfer	\$ -	\$ -	\$ -
Beginning Fund Balance	\$ 123,907	\$ 15,367	\$ (41,435)
Ending Fund Balance	\$ 236,512	\$ 123,907	\$ 15,367

(a) Unaudited.

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## LEGAL MATTERS

### Legal Opinions

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

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheading "- Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX EXEMPTION," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and 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.

Bond Counsel 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-Litigation Certificate

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

### No Material Adverse Change

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

## TAX EXEMPTION

### Opinion of Bond Counsel

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

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

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, limitations and exclusions that are a part of the conclusions therein. See "*Statement on the Role of Customary Practice in the Preparation*

*and Understanding of Third-Party Legal Opinions*, 63 Bus. Law. 1277 (2008) and *Legal Opinion Principles*, 53 Bus. Law. 831 (May 1998). Purchasers of the Bonds should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Bonds.

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

### **Alternative Minimum Tax**

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

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

### **Other Tax Matters**

The Bonds have not been designated as qualified tax-exempt obligations within the meaning of Section 265(b)(3) of the Code.

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

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

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

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

### **Original Issue Discount**

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

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

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

### **Bond Premium**

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond



premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

### **Not Qualified Tax-Exempt Obligations**

The Bonds are not "qualified tax-exempt obligations" within the meaning of section 265(b) of the Internal Revenue Code of 1986, as amended.

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

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

The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings "DISTRICT DEBT" (except under the subheading "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A," and with respect to Pulte, is found in "TAX DATA—Principal Taxpayers." The District will update and provide this information within six (6) months after the end of each of its fiscal years ending in or after 2024. The District will provide the updated information to EMMA.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when and if the audit report becomes available. The District's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day in March 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-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or

other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligations" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 of the Securities Exchange Act (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 information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

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

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

#### **Limitations and Amendments**

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

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

#### **Compliance with Prior Undertakings**

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

### **OFFICIAL STATEMENT**

#### **General**

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

The financial statements of the District as of September 30, 2023, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot, PLLC, Houston, Texas, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2023, audited financial statements.

#### **Experts**

The information contained in the Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT - Description" "DEVELOPMENT OF THE DISTRICT" and "DISTRICT AND MASTER DISTRICT UTILITY SYSTEM" has been provided by Elevation Land Solutions and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Utility Tax Service, LLC. and the Appraisal District. Such information has been included herein in

reliance upon such firm's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

**Certification as to Official Statement**

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

**Updating of Official Statement**

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

**CONCLUDING STATEMENT**

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

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 191 as of the date shown on the first page hereof.

/s/ David Chambers  
President, Board of Directors  
Montgomery County Municipal Utility District No. 191

ATTEST:

/s/ Phillip Smith Jr.  
Secretary, Board of Directors  
Montgomery County Municipal Utility District No. 191

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**MONTGOMERY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2023**

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



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**

**MONTGOMERY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2023**





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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Montgomery County Municipal Utility District No. 191 (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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



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

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

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

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

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

### **Required Supplementary Information**

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



Board of Directors  
Montgomery County Municipal Utility District No. 191

### **Supplementary Information**

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

January 12, 2024





**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Management's discussion and analysis of Montgomery County Municipal Utility District No. 191's (the "District") financial performance provides an overview of the District's financial activities for the year ended September 30, 2023. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$5,762,611 as of September 30, 2023. A portion of the District's net position reflects its net investment in capital assets (water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 323,376	\$ 127,126	\$ 196,250
Capital Assets (Net of Accumulated Depreciation)	8,830,422	8,334,476	495,946
Total Assets	\$ 9,153,798	\$ 8,461,602	\$ 692,196
Due to Developer	\$ 14,716,940	\$ 9,850,645	\$ (4,866,295)
Other Liabilities	199,469	111,759	(87,710)
Total Liabilities	\$ 14,916,409	\$ 9,962,404	\$ (4,954,005)
Net Position:			
Net Investment in Capital Assets	\$ (5,262,039)	\$ (1,183,877)	\$ (4,078,162)
Unrestricted	(500,572)	(316,925)	(183,647)
Total Net Position	\$ (5,762,611)	\$ (1,500,802)	\$ (4,261,809)

The following table provides a summary of the District's operations for the year ended September 30, 2023, and September 30, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 41,007	\$ 21,954	\$ 19,053
Charges for Services	144,257	9,295	134,962
Other Revenues	505,284	1,371,209	(865,925)
Total Revenues	\$ 690,548	\$ 1,402,458	\$ (711,910)
Expenses for Services	4,952,357	2,773,533	(2,178,824)
Change in Net Position	\$ (4,261,809)	\$ (1,371,075)	\$ (2,890,734)
Net Position, Beginning	(1,500,802)	(129,727)	(1,371,075)
Net Position, Ending	\$ (5,762,611)	\$ (1,500,802)	\$ (4,261,809)

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

The District's General Fund fund balance as of September 30, 2023, was \$123,907, an increase of \$108,540 from the prior year. This increase was primarily due to customer service revenues, maintenance tax revenues and developer advances exceeding current year operating costs and capital outlay.

**CAPITAL ASSETS**

Capital assets as of September 30, 2023 total \$8,830,422 (net of accumulated depreciation) and include water, wastewater and drainage facilities which the District will be responsible for maintaining. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets, Net of Accumulated			
Depreciation:			
Water System	\$ 1,851,048	1,802,597	48,451
Wastewater System	2,513,349	2,347,273	166,076
Drainage Facilities	3,880,417	3,585,665	294,752
Capacity in Master District Facilities	585,608	598,941	(13,333)
Total Net Capital Assets	\$ 8,830,422	\$ 8,334,476	\$ 495,946

**LONG-TERM DEBT**

As of September 30, 2023, the District recorded an amount due to Developer of \$14,716,940 which consists of payments for operating advances made by the Developer as well as expenditures made on behalf of the District for water, wastewater and drainage facilities for which the District has not sold bonds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors adopted an unappropriated budget for the current year. The budget was amended during the current fiscal year to decrease anticipated developer advances, decrease service revenues and decrease purchase regional services. Actual revenues were \$177,607 less than budgeted revenues, actual expenditures were \$63,456 more than budgeted expenditures and actual advances were \$349,603 more than budgeted. This resulted in a positive variance of \$108,540. See the budget to actual comparison for more information.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**CONTACTING THE DISTRICT'S MANAGEMENT**

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**SEPTEMBER 30, 2023**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 237,702	\$	\$ 237,702
Service Accounts Receivable	61,426		61,426
Due from Other Governmental Unit	24,248		24,248
Capital Assets (Net of Accumulated Depreciation)		8,830,422	8,830,422
<b>TOTAL ASSETS</b>	<b>\$ 323,376</b>	<b>\$ 8,830,422</b>	<b>\$ 9,153,798</b>
 <b>LIABILITIES</b>			
Accounts Payable	\$ 167,769	\$	\$ 167,769
Due to Developers		14,716,940	14,716,940
Security Deposits	31,700		31,700
<b>TOTAL LIABILITIES</b>	<b>\$ 199,469</b>	<b>\$ 14,716,940</b>	<b>\$ 14,916,409</b>
 <b>FUND BALANCE</b>			
Unassigned	\$ 123,907	\$ (123,907)	\$ - 0 -
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 323,376</b>		
 <b>NET POSITION</b>			
Net Investment in Capital Assets		\$ (5,262,039)	\$ (5,262,039)
Unrestricted		(500,572)	(500,572)
<b>TOTAL NET POSITION</b>		<b>\$ (5,762,611)</b>	<b>\$ (5,762,611)</b>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023**

Total Fund Balance - Governmental Fund	\$	123,907
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		8,830,422
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developers		<u>(14,716,940)</u>
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Total Net Position - Governmental Activities	\$	<u><u>(5,762,611)</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Property Taxes	\$ 41,007	\$	\$ 41,007
Water Service	76,002		76,002
Wastewater Service	63,287		63,287
Penalty and Interest	4,968		4,968
Investment Revenues	75		75
Tap Connection and Inspection Fees	493,743		493,743
Miscellaneous Revenues	11,466		11,466
<b>TOTAL REVENUES</b>	<b>\$ 690,548</b>	<b>\$ - 0 -</b>	<b>\$ 690,548</b>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 71,837	\$	\$ 71,837
Contracted Services	63,860		63,860
Purchased Water Service	194,224		194,224
Purchased Wastewater Service	110,495		110,495
Purchased Regional Services	120,505		120,505
Repairs and Maintenance	76,619		76,619
Depreciation		204,581	204,581
Other	312,085		312,085
Capital Outlay	114,320	(114,320)	
Conveyed to POA		114,320	114,320
Conveyed to County		3,683,831	3,683,831
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 1,063,945</b>	<b>\$ 3,888,412</b>	<b>\$ 4,952,357</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (373,397)</b>	<b>\$ (3,888,412)</b>	<b>\$ (4,261,809)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Advances	481,937	(481,937)	
<b>NET CHANGE IN FUND BALANCE</b>	\$ 108,540	\$ (108,540)	\$
<b>CHANGE IN NET POSITION</b>		(4,261,809)	(4,261,809)
<b>FUND BALANCE/NET POSITION - OCTOBER 1, 2022</b>	15,367	(1,516,169)	(1,500,802)
<b>FUND BALANCE/NET POSITION - SEPTEMBER 30, 2023</b>	<b>\$ 123,907</b>	<b>\$ (5,886,518)</b>	<b>\$ (5,762,611)</b>

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



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net Change in Fund Balance - Governmental Fund	\$	108,540
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and the depreciation expense is recorded in the Statement of Activities.		(204,581)
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Governmental funds report capital expenditures as expenditures in the year purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. In addition, amount related to projects advanced by the developer for facilities conveyed to others for operations and maintenance is recorded as an expense in the Statement of Activities.		(3,683,831)
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Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		<u>(481,937)</u>
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Change in Net Position - Governmental Activities	\$	<u>(4,261,809)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 1. CREATION OF DISTRICT**

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

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Financial Statement Presentation

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

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Fund

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

Basis of Accounting

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

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

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

Capital Assets

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

Capital Assets (Continued)

Estimated useful lives are as follows:

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

Budgeting

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

Pensions

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

Measurement Focus

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

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

Measurement Focus (Continued)

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

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

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

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

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

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

Accounting Estimates

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

**NOTE 3. DEPOSITS AND INVESTMENTS**

Deposits

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 3. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

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 \$237,702 and the bank balance was \$247,631. The District was not exposed to custodial credit risk.

Investments

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

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

As of September 30, 2023, the District did not have any investments.

**NOTE 4. MAINTENANCE TAX**

On May 1, 2021, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system. During the year ended September 30, 2023, the District levied an ad valorem maintenance tax at the rate of \$1.35 per \$100 of assessed valuation, which resulted in a tax levy of \$41,007 on the adjusted taxable valuation of \$3,037,570 for the 2022 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 4. MAINTENANCE TAX (Continued)**

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

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

**NOTE 5. RISK MANAGEMENT**

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

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023 is as follows:

	October 1, 2022	Increases	Decreases	September 30, 2023
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 1,813,950	\$ 91,159	\$	\$ 1,905,109
Wastewater System	2,359,579	224,414		2,583,993
Drainage Facilities	3,603,475	384,954		3,988,429
Capacity in Master District Facilities	600,000			600,000
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 8,377,004</u>	<u>\$ 700,527</u>	<u>\$ - 0 -</u>	<u>\$ 9,077,531</u>
<b>Accumulated Depreciation</b>				
Water System	\$ 11,353	\$ 42,708	\$	\$ 54,061
Wastewater System	12,306	58,338		70,644
Drainage Facilities	17,810	90,202		108,012
Capacity in Master District Facilities	1,059	13,333		14,392
<b>Total Accumulated Depreciation</b>	<u>\$ 42,528</u>	<u>\$ 204,581</u>	<u>\$ - 0 -</u>	<u>\$ 247,109</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 8,334,476</u>	<u>\$ 495,946</u>	<u>\$ - 0 -</u>	<u>\$ 8,830,422</u>

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 7. REGIONAL FACILITIES**

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

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

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 7. REGIONAL FACILITIES (Continued)**

contract payments will be calculated annually by the Master District; however, the levy of a contract tax or the provisions of other lawfully available funds to make its contract payments is the sole responsibility of each Participant.

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

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

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 7. REGIONAL FACILITIES (Continued)**

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

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

*Wholesale Agreement:* Pursuant to the Wholesale Agreement, the District is obligated to pay Quadvest connection charges for capacity in the Quadvest water and wastewater facilities (“Quadvest System”). The connection charges are to paid as follows: a \$100,000 initial payment (the “Initial Payment”) and \$550 per platted ESFC for water and sewer services (i.e., \$1,100 per platted connection for both water and sewer combined), with such payments being due on the earlier of 1) receipt by the District of bond proceeds issued for the purpose of purchasing capacity in the Quadvest System, or 2) 36 months following the date of the recording of the respective final plat. The Initial Payment shall be credited against the final \$100,000 worth of connection charges due under the Wholesale Agreement. In addition to the connection charges, the Wholesale Agreement provides that the District shall pay monthly usage charges to Quadvest as follows: a volumetric rate of \$3.70 per 1,000 gallons of actual metered water usage and a flat fee for sanitary sewer services in the amount of \$55.00 per ESFC actually connected to the Quadvest System. Costs paid to Quadvest during the fiscal year ending September 30, 2023, were \$304,719.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 7. REGIONAL FACILITIES (Continued)**

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

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

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

**NOTE 8. UNREIMBURSED COSTS**

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

The District has recorded a liability to the Developer of \$14,716,940 for operating advances and completed projects as of September 30, 2023. The actual amounts owed, including developer interest, will be calculated at the time debt is issued to reimburse the Developer. The following table summarizes the current fiscal year activity related to unreimbursed Developer costs for operating advances and completed projects:

Due to Developers, beginning of year	\$	9,850,645
Current year additions		4,866,295
Due to Developers, end of year	\$	14,716,940

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 9. BOND AUTHORIZATION**

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

**NOTE 10. CONTRIBUTIONS**

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

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

**NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT**

The District has entered into a Strategic Partnership Agreement (“SPA”) with the City of Conroe, Texas (the “City”), effective July 28, 2022, whereby the City may impose its sales and use tax within the District upon its limited purpose annexation of the District. To date, the City has not exercised its right to annex the District for limited purposes, but it may exercise this right at any time. After the date of the limited purpose annexation, the City shall pay to the District an amount equal to 50% of the sales and use tax revenues that are reported on the monthly sales tax report provided by the Comptroller and received by the City from the Comptroller.

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023**

**NOTE 11. STRATEGIC PARTNERSHIP AGREEMENT (Continued)**

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

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

**NOTE 12. ECONOMIC DEPENDENCY**

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

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2023**



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Original Budget	Final Amended Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 41,000	\$ 41,000	\$ 41,007	\$ 7
Water Service	42,938	42,938	76,002	33,064
Wastewater Service	60,563	35,500	63,287	27,787
Penalty and Interest	3,757	3,757	4,968	1,211
Investment Revenues	500	100	75	(25)
Tap Connection and Inspection Fees	720,000	720,000	493,743	(226,257)
Miscellaneous Revenues	18,860	24,860	11,466	(13,394)
<b>TOTAL REVENUES</b>	<b>\$ 887,618</b>	<b>\$ 868,155</b>	<b>\$ 690,548</b>	<b>\$ (177,607)</b>
<b>EXPENDITURES</b>				
Service Operations:				
Professional Fees	\$ 125,100	\$ 128,850	\$ 71,837	\$ 57,013
Contracted Services	23,388	31,400	63,860	(32,460)
Purchased Water Service	86,652	93,389	194,224	(100,835)
Purchased Wastewater Service	107,250	107,250	110,495	(3,245)
Purchased Regional Services	315,824	120,505	120,505	
Repairs and Maintenance	75,500	101,400	76,619	24,781
Other	396,091	367,695	312,085	55,610
Capital Outlay	50,000	50,000	114,320	(64,320)
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,179,805</b>	<b>\$ 1,000,489</b>	<b>\$ 1,063,945</b>	<b>\$ (63,456)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (292,187)</b>	<b>\$ (132,334)</b>	<b>\$ (373,397)</b>	<b>\$ (241,063)</b>
<b>OTHER FINANCING SOURCES(USES)</b>				
Developer Advances	292,187	132,334	481,937	349,603
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 108,540</b>	<b>\$ 108,540</b>
<b>FUND BALANCE - OCTOBER 1, 2022</b>	<b>15,367</b>	<b>15,367</b>	<b>15,367</b>	
<b>FUND BALANCE - SEPTEMBER 30, 2023</b>	<b>\$ 15,367</b>	<b>\$ 15,367</b>	<b>\$ 123,907</b>	<b>\$ 108,540</b>

See accompanying independent auditor's report.

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**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**SUPPLEMENTARY INFORMATION – REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**SEPTEMBER 30, 2023**



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
 SERVICES AND RATES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order approved on September 8, 2023.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 20.00	10,000	N	\$ 1.50 \$ 1.75 \$ 2.00 \$ 2.50 \$ 3.50	10,001 to 15,000 15,001 to 20,000 20,001 to 25,000 25,001 to 30,000 30,001 and up
WASTEWATER:	\$ 50.00		Y		Includes trash collection
SURCHARGE:					

District employs winter averaging for wastewater usage? \_\_\_\_\_   X    
Yes No

Total monthly charges per 10,000 gallons usage: Water: 20.00 Wastewater: \$50.00 Total: \$70.00

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ <sup>3</sup> / <sub>4</sub> "	<u>238</u>	<u>238</u>	x 1.0	<u>238</u>
1"	<u>3</u>	<u>3</u>	x 2.5	<u>8</u>
1½"			x 5.0	
2"	<u>6</u>	<u>6</u>	x 8.0	<u>48</u>
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>247</u></u>	<u><u>247</u></u>		<u><u>294</u></u>
Total Wastewater Connections	<u><u>18</u></u>	<u><u>18</u></u>	x 1.0	<u><u>18</u></u>

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

Gallons pumped into system:	N/A	Water Accountability Ratio: 81.1 % (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	31,128,000	
Gallons purchased	38,392,000	From: Quadvest Wholesale

See accompanying independent auditor's report.



**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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

Does the District have Debt Service standby fees?                      Yes       No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes                       No

County in which District is located:

Montgomery County, Texas

Is the District located within a city?

Entirely                       Partly                       Not at all

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

Entirely                       Partly                       Not at all

ETJ in which the District is located:

City of Conroe, Texas

Are Board Members appointed by an office outside the District?

Yes                       No

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

PROFESSIONAL FEES:	
Auditing	\$ 10,750
Engineering	10,016
Legal	<u>51,071</u>
TOTAL PROFESSIONAL FEES	<u>\$ 71,837</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 194,224
Purchased Wastewater Service	110,495
Purchased Regional Services	<u>120,505</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 425,224</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 34,086
Operations and Billing	15,200
Solid Waste Disposal	8,149
Tax Collector	<u>6,425</u>
TOTAL CONTRACTED SERVICES	<u>\$ 63,860</u>
REPAIRS AND MAINTENANCE	<u>\$ 76,619</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 7,053
Insurance	5,371
Office Supplies and Postage	3,239
Travel and Meetings	3,277
Other	<u>14,373</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 33,313</u>
CAPITAL OUTLAY	<u>\$ 114,320</u>
TAP CONNECTIONS	<u>\$ 245,042</u>
OTHER EXPENDITURES:	
Reconnection Fees	\$ 8,143
Inspection Fees	25,149
Regulatory Assessment	<u>438</u>
TOTAL OTHER EXPENDITURES	<u>\$ 33,730</u>
TOTAL EXPENDITURES	<u>\$ 1,063,945</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Maintenance Taxes	
TAXES RECEIVABLE -		
OCTOBER 1, 2022	\$	
Adjustments to Beginning		
Balance	_____	\$ -0-
Original 2022 Tax Levy	\$ 41,137	
Adjustment to 2022 Tax Levy	_____ (130)	_____ 41,007
TOTAL TO BE		
ACCOUNTED FOR		\$ 41,007
 TAX COLLECTIONS:		
Prior Years	\$	
Current Year	_____ 41,007	_____ 41,007
 TAXES RECEIVABLE -		
SEPTEMBER 30, 2023		\$ -0-

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	2022	2021
<b>PROPERTY VALUATIONS:</b>		
Land	\$ 3,213,720	\$ 1,626,220
Improvements		
Personal Property Exemptions	(176,150)	
<b>TOTAL PROPERTY VALUATIONS</b>	<b>\$ 3,037,570</b>	<b>\$ 1,626,220</b>
<b>TAX RATES PER \$100 VALUATION:</b>		
Debt Service	\$ 0.00	\$ 0.00
Maintenance	1.35	1.35
<b>TOTAL TAX RATES PER \$100 VALUATION</b>	<b>\$ 1.35</b>	<b>\$ 1.35</b>
<b>ADJUSTED TAX LEVY*</b>	<b>\$ 41,007</b>	<b>\$ 21,954</b>
<b>PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED</b>	<b>100.00 %</b>	<b>100.00 %</b>

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

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

Road Maintenance Tax – Maximum tax rate of \$0.25 per \$100 of assessed valuation approved by voters on May 1, 2021.

See accompanying independent auditor’s report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191**  
**COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES**  
**GENERAL FUND – TWO YEARS**

	Amounts		Percentage of Total Revenues	
	2023	2022	2023	2022
<b>REVENUES</b>				
Property Taxes	\$ 41,007	\$ 21,954	5.9 %	2.6 %
Water Service	76,002	6,737	11.0	0.8
Wastewater Service	63,287	2,558	9.2	0.3
Sale of Capacity		600,000		69.0
Penalty and Interest	4,968	358	0.7	
Investment Revenues	75	145		
Tap Connection and Inspection Fees	493,743	229,316	71.5	26.4
Miscellaneous Revenues	11,466	7,932	1.7	0.9
<b>TOTAL REVENUES</b>	<b>\$ 690,548</b>	<b>\$ 869,000</b>	<b>100.0 %</b>	<b>100.0 %</b>
<b>EXPENDITURES</b>				
Professional Fees	\$ 71,837	\$ 84,192	10.4 %	9.7 %
Contracted Services	63,860	22,600	9.2	2.6
Purchased Water Service	194,224	19,655	28.1	2.3
Purchased Wastewater Service	110,495	825	16.0	0.1
Purchased Regional Services	120,505		17.5	
Repairs and Maintenance	76,619	17,678	11.1	2.0
Other	312,085	120,596	45.2	13.9
Capital Outlay	114,320	1,324,110	16.6	152.4
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,063,945</b>	<b>\$ 1,589,656</b>	<b>154.1 %</b>	<b>183.0 %</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (373,397)</b>	<b>\$ (720,656)</b>	<b>(54.1) %</b>	<b>(83.0)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advances	\$ 481,937	244,000	69.8 %	28.1 %
Contributed by Other Governmental Unit		533,458		61.4
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 481,937</b>	<b>\$ 777,458</b>	<b>69.8 %</b>	<b>89.5 %</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 108,540</b>	<b>\$ 56,802</b>	<b>15.7</b>	<b>6.5 %</b>
<b>BEGINNING FUND BALANCE</b>	<b>15,367</b>	<b>(41,435)</b>		
<b>ENDING FUND BALANCE(DEFICIT)</b>	<b>\$ 123,907</b>	<b>\$ 15,367</b>		
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>247</b>	<b>57</b>		
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>18</b>	<b>46</b>		

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2023**

District Mailing Address - Montgomery County Municipal Utility District No. 191  
c/o The Muller Law Group, PLLC  
202 Century Square Boulevard  
Sugar Land, Texas 77478

District Telephone Number - (281) 500-6050

<b>Board Members</b>	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended September 30, 2023</u>	<u>Expense Reimbursements for the year ended September 30, 2023</u>	<u>Title</u>
David Chambers	05/2021 - 05/2024 (Elected)	\$ 1,342	\$ 124	President
Shaun Smith	05/2022 - 05/2026 (Elected)	\$ 1,563	\$ 117	Vice President
Phillip Smith, Jr.	05/2022 - 05/2026 (Elected)	\$ 1,713	\$ 247	Secretary
Greg McGrath	05/2021 - 05/2024 (Elected)	\$ 1,563	\$ 44	Assistant Vice President
Jose Castrejon	07/2023 - 05/2024 (Appointed)	\$ 221	\$ -0-	Assistant Secretary
Jessie Kathleen Moses	05/2021 - 07/2023 (Elected)	\$ 150	\$ -0-	Former Assistant Secretary

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

Submission date of most recent District Registration Form: September 8, 2023

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 February 11, 2021. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 191  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2023**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2023</u>	<u>Title</u>
The Muller Law Group, PLLC	02/11/21	\$ 55,931	General Counsel
McCall Gibson Swedlund Barfoot PLLC	06/10/22	\$ 10,750	Auditor
Municipal Accounts & Consulting, L.P.	02/11/21	\$ 35,375	Bookkeeper
Predue, Brandon, Fielder, Collins & Mott, L.L.P.	07/14/21	\$ -0-	Delinquent Tax Attorney
Robert W. Baird & Co. Incorporated	02/11/21	\$ -0-	Financial Advisor
Elevation Land Solutions	02/11/21	\$ 10,016	Engineer
Environmental Development Partners	07/14/21	\$ 382,488	Operator
Utility Tax Service, LLC	02/11/21	\$ 11,459	Tax Assessor/ Collector

See accompanying independent auditor's report.





**APPENDIX B**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

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

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

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIAL MEMBER

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

Email:

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

Address:

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

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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