

OFFICIAL STATEMENT DATED OCTOBER 28, 2024

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND ORDER (HEREIN DEFINED), INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “LEGAL MATTERS” FOR A DISCUSSION ON THE OPINION OF BOND COUNSEL.

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

NEW ISSUE - Book-Entry-Only

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

\$5,800,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
(A political subdivision of the State of Texas located within Montgomery County)
UNLIMITED TAX BONDS, SERIES 2024

Dated Date: November 1, 2024

Due: May 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the “Bonds”) will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrars, initially Zions Bancorporation, National Association, Amegy Bank Division, (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”) in Houston, Texas. Interest on the Bonds will accrue from the initial date of delivery (expected to be on or about November 26, 2024) (the “Date of Delivery”) and be payable on May 1, 2025 and on each November 1 and May 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent 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 “BOOK-ENTRY-ONLY SYSTEM.”



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “MUNICIPAL BOND INSURANCE” herein.

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

Due (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (May 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2032	\$ 170,000	(c) 5.625 %	3.500 %	61375D AG5	2042	\$ 285,000	(c) 4.000 %	4.230 %	61375D AS9
2033	180,000	(c) 4.000	3.650	61375D AH3	2043	305,000	(c) 4.000	4.260	61375D AT7
2034	185,000	(c) 4.000	3.750	61375D AJ9	2044	320,000	(c) 4.125	4.290	61375D AU4
2035	200,000	(c) 4.000	3.850	61375D AK6	2045	335,000	(c) 4.125	4.320	61375D AV2
***	***	***	***	***	2046	355,000	(c) 4.250	4.340	61375D AW0
2038	230,000	(c) 4.000	4.050	61375D AN0	2047	375,000	(c) 4.250	4.360	61375D AX8
2039	245,000	(c) 4.000	4.100	61375D AP5	2048	395,000	(c) 4.250	4.380	61375D AY6
2040	260,000	(c) 4.000	4.150	61375D AQ3	2049	420,000	(c) 4.250	4.400	61375D AZ3
2041	270,000	(c) 4.000	4.190	61375D AR1					

\$840,000 Term Bonds due May 1, 2031 (d), 61375D AF7 (b), 6.500% Interest Rate, 4.482% Yield (a)
\$430,000 Term Bonds due May 1, 2037 (c)(d), 61375D AM2 (b), 4.000% Interest Rate, 4.000% Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on and after May 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on May 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
- (d) The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

The Bonds, when issued, will constitute valid and legally binding obligations of Montgomery County Municipal Utility District No. 206 (the “District”) and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe or any entity other than the District. The Bonds are subject to certain risk factors described herein, including a high concentration of ownership of taxable property in the District. See “RISK FACTORS.”

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 26, 2024.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1330 Post Oak Boulevard, Suite 2650, Houston, Texas, 77056, upon payment of duplication costs.

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE DISTRICT

<i>Description</i>	Montgomery County Municipal Utility District No. 206 (the “District”) is a political subdivision of the State of Texas, created by an act of the Texas Legislature (House Bill 4611 of the 87th Regular Session, effective June 15, 2021, as codified in Chapter 7928A of the Texas Special District Local Laws Code), and operates under Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District currently consists of approximately 93 acres of land. See “THE DISTRICT.”
<i>Location</i>	The District is located in Montgomery County within the corporate limits of City of Conroe (the “City”), approximately 41 miles northwest of the central downtown business district of the City of Houston. The District lies within the boundaries of Conroe Independent School District. The District is approximately 3 miles east of Interstate Highway 45 and approximately one mile north of State Highway 105. See “THE DISTRICT—Description and Location” and “AERIAL PHOTOGRAPH.”
<i>The Developer</i>	The Developer in the District is Cliffstone Hills, Ltd., a Texas limited partnership, whose general partner is C.I.L. Holdings LLC and whose limited partner is Camcorp Interests, Ltd. The general partner of Legend Classic Homes, Ltd. (a homebuilder in Cliffstone Hills, Sections One and Two) is Legend Home Corporation, which is owned by Camcorp Interests, Ltd. The general partner of Camillo Properties Ltd. (a homebuilder in Cliffstone Hills, Sections One and Two) is Camillo Properties GP, Inc. All of the above-mentioned entities have common ownership. No landowner, developer or any of their respective affiliates, is obligated to pay any principal of or interest on the Bonds. See “RISK FACTORS—Dependence on Principal Taxpayers,” “THE DISTRICT” and “THE DEVELOPER.”
<i>Status of Development</i>	Development in the District consists of the subdivision Cliffstone Hills, Sections One and Two, totaling 537 single-family residential lots on approximately 77 acres. As of August 28, 2024, there were 372 completed single-family homes (345 occupied), 66 homes under construction, and 99 developed lots available for home construction. There are approximately 16 acres of land in the District that are not developable, including public rights-of-way, drainage, detention, open space and recreation and utility sites. See “THE DISTRICT—Land Use” and “—Status of Development.”
<i>Homebuilders</i>	Legend Classic Homes, Ltd. is building homes in Cliffstone Hills, Sections One and Two, which have a median sales price of approximately \$260,275. Camillo Properties Ltd. is building homes for rental properties in Cliffstone Hills, Sections One and Two. See “RISK FACTORS—Rental Homes” and “THE DISTRICT—Homebuilding.”
<i>Payment Record</i>	The Bonds are the first issuance of debt by the District. The District will capitalize eighteen (18) months of interest from Bond proceeds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED).”

THE FINANCING

<i>The Issuer</i>	Montgomery County Municipal Utility District No. 206, a political subdivision of the State of Texas, is located in Montgomery County, Texas. See “THE DISTRICT.”
<i>The Issue</i>	\$5,800,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”) are issued pursuant to an order (the “Bond Order”) of the District’s Board of Directors and are authorized pursuant to the election held within the District. See “THE BONDS—Authority for Issuance.” The Bonds will be issued as fully registered bonds maturing serially on May 1 in each of the years 2032 through 2035, both inclusive, and 2038 through 2049, both inclusive, and as term bonds maturing on May 1 in each of the years 2031 and 2037 (the “Term Bonds”) in the amounts and paying interest at the rates shown on the cover hereof. Interest on the Bonds accrues from the Date of Delivery and is payable on May 1, 2025, and on each November 1 and May 1 thereafter until the earlier of stated maturity or prior redemption. See “THE BONDS.”

<i>Redemption</i>	The Bonds maturing on and after May 1, 2032, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on May 1, 2031, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Book-Entry Only System</i>	The Depository Trust Company (defined as “DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “THE BONDS—Book-Entry-Only System.”
<i>Source of Payment</i>	The Bonds are payable from an annual ad valorem tax upon all taxable property within the District, which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City or any other political subdivision or agency. See “THE BONDS—Source of and Security for Payment” and “TAXING PROCEDURES.”
<i>Use of Proceeds</i>	Proceeds of the Bonds will be used to reimburse the Developer for the construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” Bond proceeds will also be used to capitalize eighteen (18) months of interest on the Bonds and pay engineering fees and administrative costs and certain other costs related to the issuance of the Bonds.
<i>Authority for Issuance</i>	The Bonds are the first series of bonds issued out of \$98,950,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing water, wastewater and storm drainage facilities at an election held within the District on May 7, 2022. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, an Order of the Texas Commission on Environmental Quality (the “TCEQ”), Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including but not by way of limitation, Chapters 49 and 54 of the Texas Water Code, as amended and Chapter 7928A of the Texas Special District Local Laws Code, as amended. See “THE BONDS—Authority for Issuance.”
<i>Qualified Tax-Exempt Obligations</i>	The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of pursuant to Section 265(b) of the Internal Revenue Code of 1986. See “LEGAL MATTERS—Qualified Tax-Exempt Obligations.”
<i>Municipal Bond Rating and Municipal Bond Insurance</i>	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) has assigned a municipal bond rating of “AA” (stable outlook) to this issue of Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM” or the “Insurer”). No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Bond Counsel</i>	Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, Houston, Texas. See “MANAGEMENT” and “LEGAL MATTERS.”
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Financial Advisor</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT.”
<i>Paying Agent/Registrar</i>	Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.
<i>Risk Factors</i>	The purchase and ownership of the Bonds are subject to special risk factors and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION

2024 Taxable Assessed Valuation	\$60,947,928 (a)
Estimated Taxable Assessed Valuation as of July 1, 2024	\$82,369,140 (b)
Gross Debt Outstanding (The Bonds)	\$5,800,000
Estimated Overlapping Debt	<u>1,669,446</u> (c)
Gross Direct Debt and Estimated Overlapping Debt	\$7,469,446
Ratios of Gross Debt to:	
2024 Taxable Assessed Valuation	9.52%
Estimated Taxable Assessed Valuation as of July 1, 2024	7.04%
Ratios of Gross Debt and Estimated Overlapping Debt to:	
2024 Taxable Assessed Valuation	12.26%
Estimated Taxable Assessed Valuation as of July 1, 2024	9.07%
2024 Total Tax Rate (All Maintenance and Operations)	\$1.10
Average Annual Debt Service Requirement (2025-2049)	\$383,572 (d)
Maximum Annual Debt Service Requirement (2049).....	\$428,925 (d)
Tax Rates Required to Pay Average Annual Debt Service Requirement at a 90% Collection Rate:	
Based upon 2024 Taxable Assessed Valuation.....	\$0.70/\$100 A.V.
Based upon Estimated Taxable Assessed Valuation as of July 1, 2024.....	\$0.52/\$100 A.V.
Tax Rates required to pay Maximum Annual Debt Service Requirement at a 90% Collection Rate:	
Based upon 2024 Taxable Assessed Valuation.....	\$0.79/\$100 A.V.
Based upon Estimated Taxable Assessed Valuation as of July 1, 2024.....	\$0.58/\$100 A.V.
Status of Development as of August 28, 2024 (e):	
Completed Single-Family Homes (345 Occupied).....	372
Homes Under Construction.....	66
Lots Available for Home Construction.....	99
Estimated Population	1,208 (f)

- (a) The Montgomery Central Appraisal District (the "Appraisal District") has certified \$58,313,816 of taxable value within the District as of January 1, 2024. An additional \$2,634,112 of taxable value, which is subject to review and downward adjustment prior to certification, remains uncertified. See "TAXING PROCEDURES."
- (b) As estimated by the Appraisal District as of July 1, 2024, for information purposes only. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. The 2024 Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2024 to July 1, 2024. See "TAXING PROCEDURES."
- (c) See "ESTIMATED OVERLAPPING DEBT."
- (d) See "DEBT SERVICE REQUIREMENTS."
- (e) See "THE DISTRICT—Status of Development."
- (f) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$5,800,000

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206

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

UNLIMITED TAX BONDS, SERIES 2024

This Official Statement provides certain information in connection with the issuance by Montgomery County Municipal Utility District No. 206 (the “District”) of its \$5,800,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 7928A of the Texas Special District Local Laws Code, as amended, an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”) and an election held within the District on May 7, 2022.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the Developer (defined herein) and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1330 Post Oak Boulevard, Suite 2650, Houston, Texas, 77056, upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Montgomery County, the City of Conroe (the “City”) or any other political entity other than the District, will be secured by a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. See “THE BONDS—Source of and Security for Payment.” The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Dependence on Principal Taxpayers

The principal taxpayers represent \$38,057,705, or approximately 65.26% of the certified portion (\$58,313,816) of the 2024 Taxable Assessed Valuation of \$60,947,928, which represents ownership as of January 1, 2024. The Developer and its affiliates represent \$35,891,198, or approximately 61.55% of the certified portion of the 2024 Taxable Assessed Valuation. See “TAX DATA—Principal Taxpayers.” Accurate principal taxpayer lists related to the uncertified portion (\$2,634,112) of the 2024 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2024 of \$82,369,140, are not available from the Appraisal District as of the date hereof. If the Developer or another principal taxpayer were to default in the payment of taxes in an amount which exceeds the balance in the District’s Debt Service Fund, the ability of the District to make timely payment of debt service on the Bonds would be dependent on the ability of the District to enforce and liquidate its tax lien, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in the District being forced to set an excessive tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its Debt Service Fund. See “—Tax Collection Limitations and Foreclosure Remedies” herein and “TAX PROCEDURES—Levy and Collection of Taxes.”

The Developer and its affiliates have informed the Board that its current plans are to continue its homebuilding program. However, neither the Developer and its affiliates nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner’s right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer, its affiliates, or any other landowner. See “THE DEVELOPER.”

Vacant Lots

As of August 28, 2024, there were 99 vacant developed lots in the District. Failure of the Developer and/or homebuilders to construct taxable improvements on developed lots could restrict the rate of growth of taxable values in the District. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the homebuilding program planned by the Developer and its affiliates will be successful. See “THE DISTRICT—Land Use” and “—Status of Development.”

Rental Homes

A portion of the homes being constructed in Cliffstone Hills, Sections One and Two (266 lots) are being constructed by Camillo Properties, Ltd., as rental properties. It is anticipated that Camillo Properties Ltd. will continue to be a principal taxpayer as long as Camillo Properties Ltd. continues to own such rental homes. On the 2024 certified tax roll, Camillo Properties Ltd. represents \$29,004,419 or 46.31% of the certified portion (\$58,313,816) of the 2024 Taxable Assessed Valuation of \$60,947,928. See “TAX DATA—Principal Taxpayers.”

Camillo Properties Ltd., as the owner of such rental homes, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards.

Operating Funds

The District authorized publication of its intent to levy a 2024 maintenance tax rate of \$1.10 per \$100 of assessed valuation. The District expects to levy its initial debt service tax in 2025 and reduce the maintenance tax. The District’s Operating Fund balance at September 18, 2024 was \$130,527; however, in previous fiscal years the District has depended on advances from the Developer to fund operations. Obtaining and maintaining a positive Operating Fund balance will depend upon one or more of the following: (1) continued development and increased amounts of maintenance tax revenue and (2) developer advances. In the event that funds are not made available by the Developer, the District could be required to levy a maintenance tax at a rate sufficient 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 “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)” and “WATER AND SEWER OPERATIONS.”

Landowner Obligation to the District

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, rental homes and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See “THE DISTRICT—Status of Development.”

Competition

The demand for and construction of single-family homes and rental homes in the District, which is approximately 41 miles from the central downtown business district of the City of Houston, could be affected by competition from other residential developments including other residential developments located in the northern portion of the Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developer and its affiliates in the sale of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developer or the homebuilders will be implemented or, if implemented, will be successful.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The District’s 2024 Taxable Assessed Valuation is \$60,947,928 (\$58,313,816 of certified value plus \$2,634,112 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be \$428,925 (2049) and the average annual debt service requirement will be \$383,572 (2025-2049 inclusive). Assuming no increase or decrease from the 2024 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$0.79 per \$100 of taxable assessed valuation at a ninety percent (90%) collection rate would be necessary to pay the maximum annual debt service requirement and a tax rate of \$0.70 per \$100 of taxable assessed valuation at a ninety percent (90%) collection rate would be necessary to pay the average annual debt service requirement. The Estimated Taxable Assessed Valuation as of July 1, 2024 is \$82,369,140. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of July 1, 2024, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.58 and \$0.52 per \$100 of assessed valuation at a ninety percent (90%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. See “DEBT SERVICE REQUIREMENTS.”

No representation or suggestion is made that the uncertified portion of the 2024 Taxable Assessed Valuation or the estimated values of land and improvements provided by the Appraisal District in the Estimated Taxable Assessed Valuation as of July 1, 2024, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

Potential Effects of Oil Price Volatility on the Houston Area

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

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. “500-year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days.

If a future weather event significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase 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.

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.

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 market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAXING PROCEDURES—District's Rights in the Event of Tax Delinquencies.”

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The District's voters authorized the issuance of \$98,950,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, sewer and drainage facilities, of which \$93,150,000 principal amount will remain authorized but unissued after issuance of the Bonds. The District has also authorized \$96,985,000 principal amount of unlimited tax bonds for acquiring or constructing road facilities, \$36,760,000 principal amount of unlimited tax bonds for acquiring or constructing parks and recreational facilities, \$148,425,000 principal amount of unlimited tax refunding bonds for water, sewer and drainage facilities, \$145,477,500 unlimited tax refunding bonds for road facilities and \$55,140,000 principal amount of unlimited tax refunding bonds for parks and recreational facilities, all of which remains authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional bonds or obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

After reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately \$9,400,000 (as of September 18, 2024). The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds (except for refunding bonds and road bonds) is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increase in taxable value in the District. See "THE BONDS—Issuance of Additional Debt." Issuance of additional bonds could dilute the investment security for the Bonds.

Environmental Regulations

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

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

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

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

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

The HGB Area is currently designated as a “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 Polyfluoroalkyl 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.

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Order 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 “LEGAL MATTERS.”

Marketability

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

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

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

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

THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board authorizing the issuance and sale of the Bonds. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated November 1, 2024, and accrue interest from the Date of Delivery, and are payable on each May 1 and November 1 commencing May 1, 2025, until the earlier of maturity or prior redemption. The Bonds mature on May 1 in the amounts and years and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof.

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

Book-Entry-Only System

The information in this section concerning DTC (defined below) and DTC’s book-entry system (the “Book-Entry-Only System”) has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants (both defined herein) will distribute to the Beneficial Owners (defined herein) (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedure” of DTC to be followed in dealing with Direct Participants is on file with DTC.

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

DTC, the world’s largest 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,” together with a Direct Participant, the “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.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Authority for Issuance

At a bond election held within the District on May 7, 2022, voters of the District authorized the issuance of \$98,950,000 principal amount of unlimited tax bonds for purchasing and constructing water, sewer and drainage facilities. The Bonds represent the first issuance of bonds from such authorization. See "Issuance of Additional Debt" herein. The Bonds are issued by the District pursuant to an Order of the TCEQ, the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including but not limited to, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 7928A of the Texas Special District Local Laws Code, as amended.

The TCEQ approved the sale of the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS."

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Source of and Security for Payment

The Bonds (together with any additional unlimited tax or combination unlimited tax and revenue bonds as may hereafter be issued) are payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy annually a tax sufficient in amount to pay principal of and interest on the Bonds, full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose. Collected taxes will be placed in the District's "Debt Service Fund" and used solely to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which may be issued. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City, or any other political entity other than the District. See "—Issuance of Additional Debt."

Funds

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

Eighteen (18) months of capitalized interest shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds shall be deposited into the District's Capital Projects Fund, to be used for the purpose of reimbursing the Developer for certain construction costs and for paying engineering fees, administration costs and costs of issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Order 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.

Record Date

The record date for payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on May 1 in each of the years 2031 and 2037 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on May 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" herein):

\$840,000 Term Bonds		\$430,000 Term Bonds	
Due May 1, 2031		Due May 1, 2037	
Mandatory Redemption Date	Principal Amount	Mandatory Redemption Date	Principal Amount
2026	\$ 120,000	2036	\$ 210,000
2027	130,000	2037 (maturity)	220,000
2028	135,000		
2029	145,000		
2030	150,000		
2031 (maturity)	160,000		

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after May 1, 2032, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000, on May 1, 2031, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Method of Payment of Principal and Interest

The Board has appointed Zions Bancorporation, National Association, Amegy Bank Division, having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid. See “THE BONDS—Book-Entry-Only System.”

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office in Houston, Texas and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order. While the Bonds are in the Book-Entry-Only system, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “THE BONDS—Book-Entry-Only System.”

Mutilated, Lost, Stolen or Destroyed Bonds

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

At an election held within the District on May 7, 2022, the District's voters authorized the issuance of \$98,950,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, sewer and drainage facilities, of which \$93,150,000 principal amount will remain authorized but unissued after issuance of the Bonds. The District has also authorized \$96,985,000 principal amount of unlimited tax bonds for acquiring or constructing road facilities, \$36,760,000 principal amount of unlimited tax bonds for acquiring or constructing parks and recreational facilities, \$148,425,000 principal amount of unlimited tax refunding bonds for water, sewer and drainage facilities, \$145,477,500 unlimited tax refunding bonds for road facilities and \$55,140,000 principal amount of unlimited tax refunding bonds for parks and recreational facilities, all of which remains authorized but unissued. The issuance of additional bonds (except for refunding bonds and road bonds) is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds.

The District is authorized by statute to develop parks and recreational facilities, including issuing bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park projects and bonds by the Commission; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. At an election held within the District on May 7, 2022, voters of the District authorized a total of \$36,760,000 principal amount of unlimited tax bonds for acquiring or constructing park and recreational facilities, all of which remains authorized but unissued.

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue such bonds, the District would be required to obtain authorization from the District's voters to issue such bonds and approval of the bonds by the Attorney General of Texas. The District has not considered calling such an election at this time.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount that may ultimately be issued by the District. The issuance of additional bonds and levy of taxes in connection therewith may dilute the security for the Bonds.

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City, the District may be dissolved by the City without the District's consent, subject to compliance by the City with Chapter 43 of the Texas Local Government Code, as amended. If the District is dissolved, the City will assume the District's assets and obligations (including the Bonds). Dissolution of the District by the City is a policy matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that dissolution will or will not occur and makes no representation of the City's financial capability to pay debt service on the Bonds if such dissolution were to occur.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Order 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 or with a commercial bank or trust company designated in the proceedings authorizing such discharge, 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 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 Registered 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.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by LJA Engineering, Inc., the District's engineer (the "Engineer"), and were submitted to the TCEQ in the District's Bond Application. Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the TCEQ. In the event actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required.

CONSTRUCTION COSTS

Cliffstone Hills, Section One - Water, Sewer and Drainage.....	\$ 2,392,995
Cliffstone Hills, Section Two - Water, Sewer and Drainage.....	744,134
Cliffstone Hills, Sections One and Two - Clearing and Grubbing.....	171,456
Land Acquisition Costs.....	140,039
Engineering, Geotechnical, CPS and Materials Testing.....	688,303

TOTAL CONSTRUCTION COST..... **\$ 4,136,927**

NON-CONSTRUCTION COSTS

Legal Fees.....	\$ 160,000
Financial Advisor Fees.....	107,000
Capitalized Interest (18 Months) (a).....	390,666
Developer Interest (Estimated).....	574,488
Bond Discount (a).....	173,127
Developer Advances.....	38,000
Bond Issuance Expenses.....	50,785
TCEQ Bond Issuance Fee (0.25%).....	14,500
Bond Application Report Cost.....	60,000
Attorney General Fee.....	5,800
Contingency (a).....	88,707

Total Non-Construction Costs..... **\$ 1,663,073**

TOTAL BOND ISSUE..... **\$ 5,800,000**

(a) The TCEQ approved a maximum Bond discount of 3.00% and eighteen (18) months of capitalized interest. Contingency represents the difference in the estimated and actual amount of Bond discount and capitalized interest and can be used for purposes allowed and approved by the TCEQ.

THE DISTRICT

General

The District is a municipal utility district created by an act of the Texas Legislature (House Bill 4611 of the 87th Regular Session, effective June 15, 2021, as codified in Chapter 7928A of the Texas Special District Local Laws Code), and operates under Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas, Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervisory jurisdiction of the TCEQ. The District is comprised of approximately 93 acres of land.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. Additionally, the District may, subject to certain limitations, develop and finance parks and recreational facilities.

The Commission exercises continuing supervisory jurisdiction over the District. To comply with its consent ordinance for creation from the City, within which the District is located, the District is required to observe certain requirements of the City consent ordinance which: limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, park and recreational facilities and roads and related improvements; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to legally subdivided lots that are part of a recorded subdivision plat or otherwise exempt from the subdivision requirements of the City and Montgomery County. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Description and Location

The District is located in Montgomery County within the corporate limits of City of Conroe (the "City"), approximately 41 miles northwest of the central downtown business district of the City of Houston. The District lies within the boundaries of Conroe Independent School District. The District is approximately 3 miles east of Interstate Highway 45 and approximately one mile north of State Highway 105. See "AERIAL PHOTOGRAPH."

Land Use

	Approximate Acres	Lots
<i>Single-Family Residential</i>		
Cliffstone Hills		
Section 1.....	39	263
Section 2.....	38	274
Subtotal.....	<u>77</u>	<u>537</u>
<i>Undevelopable (a)</i>	<u>16</u>	<u>---</u>
	<u>93</u>	<u>537</u>

(a) Includes public rights-of-way, drainage, detention, open space and recreation and utility sites.

Status of Development

Development in the District consists of the subdivision Cliffstone Hills, Sections One and Two, totaling 537 single-family residential lots on approximately 77 acres. As of August 28, 2024, there were 372 completed single-family homes (345 occupied), 66 homes under construction, and 99 developed lots available for home construction. The estimated population in the District is 1,208, which is based upon 3.5 persons per occupied single-family residence.

Homebuilding

Legend Classic Homes, Ltd. is building homes in Cliffstone Hills, Sections One and Two, which have a median sales price of approximately \$260,275. Camillo Properties Ltd. is building homes for rental properties in Cliffstone Hills, Sections One and Two. See "RISK FACTORS—Rental Homes."

Undeveloped Acreage

There are approximately 16 acres of land in the District that are not developable, including public rights-of-way, drainage, detention, open space and recreation and utility sites.

THE DEVELOPER

Role of a Developer

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

Neither the Developer, nor any of its affiliates, are obligated to pay principal of or interest on the Bonds. Furthermore, the Developer does not have a binding commitment to the District to carry out any plan of development and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time, and the furnishing of information relating to the proposed development by the Developer should not be interpreted as such a commitment. Prospective Bond 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 boundaries of the District. See "RISK FACTORS."

Prospective Bond purchasers should note that any prior real estate experience discussed below of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "RISK FACTORS."

Cliffstone Hills, Ltd.

The developer of Cliffstone Hills, Sections One and Two (537 single-family residential lots on approximately 77 acres) is Cliffstone Hills, Ltd. Cliffstone Hills, Ltd. has not and is not engaged in any business other than the ownership, development, management and sale of land within the District, and all or substantially all of Cliffstone Hills, Ltd.'s assets are, or are derived from or in connection with, land within the District. Cliffstone Hills, Ltd. does not own any remaining developable land in the District that has not yet been developed.

Camcorp Interests, Ltd. and Related Entities and Subsidiaries

C.I.L. Holdings LLC, a Texas limited liability company, is the general partner and Camcorp Interests, Ltd., a Texas limited partnership, is the limited partner of Cliffstone Hills, Ltd. (the "Developer"). Legend Classic Homes, Ltd. is building homes in the District. The general partner of Legend Classic Homes, Ltd. is Legend Home Corporation, which is 100% owned by Camcorp Interests, Ltd. Camillo Properties Ltd. is also building homes in the District and its general partner is Camillo Properties GP, Inc., which is a related company to Camcorp Interests, Ltd. All current development activities within the District, if any, are funded by Camcorp Interests, Ltd. All of the above-mentioned entities have common ownership. See "TAX DATA—Principal Taxpayers."

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. Each of the board members owns land within the District subject to a note and deed of trust in favor of the Developer. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kristina Early	President	May 2026
Ian Blake	Vice President	May 2028
Michael McKennon	Secretary	May 2026
Paige Gill	Assistant Secretary	May 2028
Sydney LaPlante	Assistant Secretary	May 2026

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District were appraised for ad valorem taxation purposes by the Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Utility Tax Service, LLC is currently serving in this capacity for the District.

Bookkeeper

The District has engaged Municipal Accounts & Consulting, L.P. to serve as the District's bookkeeper.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's System is LJA Engineering, Inc. (the "Engineer").

Utility System Operator

The City independently operates the District Utility Facilities.

Attorney

The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP as general counsel and as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid 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 on the sale and delivery of the Bonds.

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fees to be paid the Financial Advisor 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 on the sale and delivery of the Bonds.

Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas as disclosure counsel. The fees paid to disclosure counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

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 Commission. The District's financial statements for the fiscal year ending May 31, 2024, have been audited by the independent accounting firm of McCall Gibson Swedlund Barfoot PLLC. See "APPENDIX A" for a copy of the District's audited financial statements.

THE SYSTEM

Regulation

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

City of Conroe Ordinance

The District operates pursuant to that City of Conroe Ordinance dated December 9, 2021 (the "Ordinance"). Pursuant to the Ordinance, the City consented to the creation of the District within the city limits of the City. Pursuant to the Ordinance, the District assumed responsibility for acquiring and constructing the water distribution, sanitary sewer collection, and drainage facilities, as well as roads and improvements in aid thereof, to serve development occurring within the boundaries of the District (the "Facilities"). The District further assumed the responsibility for acquiring and constructing detention and recreational improvements to serve development within its boundaries. The Ordinance provides that the Facilities and all detention facilities and recreational improvements shall be designed and constructed in accordance with the requirements and criteria of the City and all applicable regulatory authorities.

Water Supply and Wastewater Treatment

Water supply and wastewater treatment for the District is provided by the City. The City has allocated 540 equivalent single-family connections (“ESFC”) for the water supply and wastewater capacity to serve 540 ESFC, which is adequate to serve existing and proposed development in the District based on current land plan projections. As of August 15, 2024, the City was serving 438 ESFC in the District (372 completed homes and 66 homes under construction).

Effective August 29, 2024, the City enacted a temporary moratorium on the acceptance, authorization, and approvals necessary for subdivisions, site planning, development and construction within certain areas of the City. The moratorium was enacted due to concerns that City water facilities are inadequate and insufficient to adequately serve new development while providing water to current residents and commercial users. The area within the District is not currently subject to the moratorium, but the District can make no representation as to whether the moratorium will be extended or expanded at any point in the future.

Water Distribution, Wastewater Collection and Storm Drainage

Water distribution, wastewater collection and storm drainage facilities have been constructed to serve approximately 537 single-family residential lots within the District. See “THE DISTRICT—Land Use.”

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded and a number of neighborhoods in the Greater Houston Area that are above the 100-year flood plain have flooded multiple times in the past several years. The District’s drainage system has been designed and constructed to all current standards. According to the Engineer, none of the developable acreage within the District is located within the 100-year flood plain. See “RISK FACTORS—Extreme Weather Events.”

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2024 Taxable Assessed Valuation	\$60,947,928 (a)
Estimated Taxable Assessed Valuation as of July 1, 2024	\$82,369,140 (b)
Gross Debt Outstanding (after the issuance of the Bonds)	\$5,800,000
Estimated Overlapping Debt.....	<u>1,669,446</u> (c)
Gross Direct Debt and Estimated Overlapping Debt	\$7,469,446
Ratios of Gross Debt to:	
2024 Taxable Assessed Valuation	9.52%
Estimated Taxable Assessed Valuation as of July 1, 2024	7.04%
Ratios of Gross Debt and Estimated Overlapping Debt to:	
2024 Taxable Assessed Valuation	12.26%
Estimated Taxable Assessed Valuation as of July 1, 2024	9.07%

Area of District — 93 acres
Estimated Population — 1,208 (d)

- (a) The Appraisal District has certified \$58,313,816 of taxable value within the District as of January 1, 2024. An additional \$2,634,112 of taxable value, which is subject to review and downward adjustment prior to certification, remains uncertified. See “TAXING PROCEDURES.”
- (b) As estimated by the Appraisal District as of July 1, 2024, for information purposes only. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year, and, therefore, this estimate will not be the basis for any tax levy by the District. The 2024 Taxable Assessed Valuation provided by the Appraisal District has been updated to add the estimated value of improvements constructed from January 1, 2024 to July 1, 2024. See “TAXING PROCEDURES.”
- (c) See “ESTIMATED OVERLAPPING DEBT.”
- (d) Based upon 3.5 persons per occupied single-family residence.

Cash and Investment Balances (unaudited as of September 18, 2024)

General Fund	Cash and Temporary Investments	\$130,527 (a)
Debt Service Fund	N/A	\$390,666 (b)

- (a) See “RISK FACTORS—Operating Funds.”
- (b) The District will capitalize eighteen (18) months of interest from Bond proceeds. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

District Investment Policy

The policy of the District is to invest District funds only in instruments which further the following investment objectives of the District stated in order of importance: (1) preservation and safety of principal; (2) liquidity; and (3) yield. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in the “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Montgomery County.....	\$ 417,980,000	8/31/2024	0.02%	\$ 83,596
City of Conroe.....	520,665,000	8/31/2024	0.14%	728,931
Conroe ISD.....	2,014,950,000	8/31/2024	0.04%	805,980
Lone Star College.....	509,390,000	8/31/2024	0.01%	50,939
Total Estimated Overlapping Debt.....				\$ 1,669,446
Direct Debt.....	5,800,000 (a)	Current	100.00%	5,800,000
Total Direct and Estimated Overlapping Debt.....				\$ 7,469,446
Ratio of Direct and Estimated Overlapping Debt to 2024 Taxable Assessed Valuation.....				12.26%
Ratio of Direct and Estimated Overlapping Debt to Estimated Taxable Assessed Valuation as of June 1, 2024.....				9.07%

(a) The Bonds.

Overlapping Tax Rates for 2024

	2024 Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Montgomery County.....	\$ 0.3790
Montgomery County Hospital District.....	0.0497
City of Conroe.....	0.4272
Conroe ISD.....	0.9496
Lone Star College.....	0.1076
Total Overlapping Tax Rate.....	\$ 1.9131
The District (a).....	<u>\$ 1.1000</u>
Total Tax Rate.....	\$ 3.0131

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

GENERAL OPERATING FUND

General

The Bonds are payable solely from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District.

The following statement sets forth in condensed form the District's General Fund operating statement as derived from the District's audited financial statements for the fiscal year ended May 31, 2024. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and more complete information.

	Fiscal Year Ended May 31, 2024
Revenues	
Property Taxes	\$ 224,264
Penalty, Interest and Other	2,196
Total Revenues	\$ 226,460
Expenditures	
Professional Fees	\$ 55,571
Contracted Services	26,267
Other	14,290
Total Expenditures	\$ 96,128
Revenues Over (Under) Expenditures	\$ 130,332
Other Sources (Uses)	
Developer Advances (a)	\$ 35,000
Total Other Financing Sources	\$ 35,000
Fund Balance (Beginning of Year)	\$ 5,926
Fund Balance (End of Year)	\$ 171,258

(a) See "RISK FACTORS—Operating Funds" and "—Dependence on Principal Taxpayers."

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Bonds. This schedule does not reflect the fact that an amount equal to eighteen (18) months of interest will be capitalized from Bond proceeds to pay debt service on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Debt Service on the Bonds		
	Principal	Interest	Total
2025		\$ 242,357.38	\$ 242,357.38
2026	\$ 120,000	256,543.75	376,543.75
2027	130,000	248,418.75	378,418.75
2028	135,000	239,806.25	374,806.25
2029	145,000	230,706.25	375,706.25
2030	150,000	221,118.75	371,118.75
2031	160,000	211,043.75	371,043.75
2032	170,000	201,062.50	371,062.50
2033	180,000	192,681.25	372,681.25
2034	185,000	185,381.25	370,381.25
2035	200,000	177,681.25	377,681.25
2036	210,000	169,481.25	379,481.25
2037	220,000	160,881.25	380,881.25
2038	230,000	151,881.25	381,881.25
2039	245,000	142,381.25	387,381.25
2040	260,000	132,281.25	392,281.25
2041	270,000	121,681.25	391,681.25
2042	285,000	110,581.25	395,581.25
2043	305,000	98,781.25	403,781.25
2044	320,000	86,081.25	406,081.25
2045	335,000	72,571.88	407,571.88
2046	355,000	58,118.75	413,118.75
2047	375,000	42,606.25	417,606.25
2048	395,000	26,243.75	421,243.75
2049	420,000	8,925.00	428,925.00
Total	\$ 5,800,000	\$ 3,789,298.00	\$ 9,589,298.00

Average Annual Debt Service Requirements (2025-2049).....	\$383,572
Maximum Annual Debt Service Requirement (2049).....	\$428,925

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District intends to levy its initial debt service tax rate in 2025. See “—Tax Rate Distribution” and “—Summary of Assessed Valuation” herein, and “TAXING PROCEDURES.”

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District’s improvements, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted on May 7, 2022 and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.50 per \$100 appraised valuation for maintenance and operation of water, sewer, drainage facilities and \$0.10 for maintenance and operation of park/recreational facilities. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “—Debt Service Tax” above.” For the 2024 tax year, the District levied a tax for maintenance and operations in the amount of \$1.10 per \$100 assessed valuation.

Exemptions

For tax year 2024, the District has not granted any exemptions from taxation.

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance and Operations: \$1.50 per \$100 taxable assessed valuation.

Maintenance of Park and Recreational Facilities: \$0.10 per \$100 taxable assessed valuation.

Tax Rate Distribution

	2024	2023	2022 (a)
Debt Service	\$ -	\$ -	\$ -
Maintenance and Operations	1.10	1.10	1.10
Total	\$ 1.10	\$ 1.10	\$ 1.10

(a) Initial year of taxation for the District.

Additional Penalties

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

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. Tax year 2022 was the initial year of taxation for the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records and statements for further and more complete information. Differences in totals from others shown in this Official Statement are due to differences in dates of the data.

Tax Year	Certified Taxable	Tax Rate	Total Tax Levy	Total Collections as of August 31, 2024 (a)	
	Assessed Valuation			Amount	Percent
2022	\$ 2,886,130	\$ 1.10	\$ 31,747	\$ 31,747	100.00%
2023	20,586,964	1.10	226,457	225,203	99.45%
2024	58,313,816	1.10	641,452	(b)	(b)

(a) Unaudited.

(b) In process of collection. Taxes for 2024 are due by January 31, 2025.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector based upon the certified portion (\$58,313,816) of the 2024 Taxable Assessed Valuation which reflects ownership as of January 1, 2024. Accurate principal taxpayer lists related to the uncertified portion (\$2,634,112) of the 2024 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2024 of \$82,369,140, are not available from the Appraisal District as of the date hereof.

<u>Taxpayer</u>	<u>2024 Certified Taxable Assessed Valuation</u>	<u>% of 2024 Certified Taxable Assessed Valuation</u>
Camillo Properties LTD (a)	\$ 27,004,419	46.31%
Legend Classic Homes LTD (a)	6,405,135	10.98%
Cliffstone Hills LTD (a)	2,481,644	4.26%
Individual	328,790	0.56%
Individual	319,054	0.55%
Individual	315,731	0.54%
Individual	304,198	0.52%
Individual	302,617	0.52%
Individual	300,616	0.52%
Individual	295,501	0.51%
Total	<u>\$ 38,057,705</u>	<u>65.26%</u>

(a) Related entities. See "THE DEVELOPER."

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2022 through 2024 Taxable Assessed Valuations. Accurate breakdowns related to the uncertified portion of the 2024 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 1, 2024 of \$82,369,140, are not available from the Appraisal District as of the date hereof. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Land	\$ 19,125,259	\$ 15,933,250	\$ 2,886,130
Improvements	42,201,305	4,634,460	-
Personal Property	58,273	19,362	-
Exemptions	(3,071,021)	(108)	-
Uncertified Value	<u>2,634,112</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 60,947,928</u>	<u>\$ 20,586,964</u>	<u>\$ 2,886,130</u>

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2024 Taxable Assessed Valuation of \$60,947,928 (\$58,313,816 of certified value plus \$2,634,112 of uncertified value) or the Estimated Taxable Assessed Valuation as of July 1, 2024 of \$82,369,140. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety percent (90%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “RISK FACTORS—Impact on District Tax Rates “ and “DEBT SERVICE REQUIREMENTS.”

Average Annual Debt Service Requirement (2025-2049)	\$383,572
\$0.70 Tax Rate on 2024 Taxable Assessed Valuation.....	\$383,972
\$0.52 Tax Rate on Estimated Taxable Assessed Valuation as of July 1, 2024.....	\$385,488
Maximum Annual Debt Service Requirement (2049)	\$428,925
\$0.79 Tax Rate on 2024 Taxable Assessed Valuation.....	\$433,340
\$0.58 Tax Rate on Estimated Taxable Assessed Valuation as of July 1, 2024.....	\$429,967

No representation or suggestion is made that the uncertified portion of the 2024 Taxable Assessed Valuation and the estimated values of land and improvements provided by the Appraisal District in the Estimated Taxable Assessed Valuation as of July 1, 2024, for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the “Property Tax Code”) requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas a single appraisal district with the responsibility for recording and appraising property for all taxing units within a county and a single appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Montgomery Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units wholly within Montgomery County, including the District. Such appraisal values are subject to review and change by the Montgomery County Appraisal Review Board (the “Appraisal Review Board”). Under certain circumstances, taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Absent any such appeal, the appraisal roll, as prepared by the Appraisal District and approved by the Appraisal Review Board, must be used by each taxing jurisdiction in establishing its tax roll and tax rate. The District is eligible, along with all other conservation and reclamation districts within Montgomery County, to participate in the nomination of and vote for a member of the Board of Directors of the Appraisal District.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. Qualifying surviving spouses of persons 65 years of age and older would be entitled to receive an exemption equal to the exemption received by the deceased spouse. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 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, of between \$5,000 and \$12,000 depending on the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District currently does not grant a homestead exemption. See "TAX DATA."

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil 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, for 2011 and prior tax years, was applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. For 2012 and subsequent tax years, the exemption applies to covered property if it 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. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken no official action to allow taxation of all such goods-in-transit personal property but may choose to exempt same in the future by further official action.

Tax Abatement

Montgomery County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Montgomery County, the City and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, neither the County nor the City has designated land within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and formally 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 upon 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. 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, for open space land, and timberland.

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

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. 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 comply with the Property Tax Code. The District may challenge the exclusion of property from the appraisal rolls or the grant, in whole or in part, of an exemption.

Texas law provides for notice and hearing procedures prior to the adoption of an ad valorem tax rate by the District. Additionally, under certain circumstances, an election would be required to determine whether to approve the adopted total tax rate. See "—Rollback of Operation and Maintenance Tax Rate." The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only for the items specified in the Texas Property Tax Code. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and

Disability Insurance Act, or (iii) qualifies as a disabled veteran under Texas law, is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, 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 an 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a 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 are 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 a rollback election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made on an annual basis, at the time a district sets its tax rate. For 2024, the District has been designated 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 rollback election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2024"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

Except with respect to (i) owners of residential homestead property who are sixty-five (65) years of age or older or under a disability as described above and who have filed an affidavit as required by law and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, 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, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for

agricultural use within two (2) years after the deed issued at foreclosure is filed of record and may redeem all other property within six (6) months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS—General" and "—Tax Collections and Foreclosure Remedies."

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to (i) the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from a continuing, direct annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District, and (ii) the legal opinion of Bond Counsel, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The District will also furnish the opinion of Bond Counsel that will address the matters described under "—Tax Exemption." The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge of the certifying officers, threatened against the District contesting or attacking the Bonds or the Bond Order; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the Bond Order, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

No Material Adverse Change

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

Qualified Tax-Exempt Obligations

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

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

Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

Tax Exemption

The delivery of Bonds is subject to an opinion of Bond Counsel to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986 (the “Code”), and existing regulations, published rulings and court decision procedures, interest on the bonds (i) will be excludable from the income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes and (ii) is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of determining the alternative minimum tax imposed on corporations. The statutes, regulations, published rulings, and court decisions on which such opinion is based are subject to change.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

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

Proposed Tax Legislation

Tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the “Discount Bonds”) is less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described under “—Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) is greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. Generally, no corresponding deductions are allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the state and local tax consequences of owning Premium Bonds.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, (“S&P”) assigned a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”). An explanation of the rating may be obtained from S&P. No application has been made to a municipal rating company for an underlying rating on the Bonds, nor is it expected that the District would have received an investment grade rating if application had been made.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance” and “MUNICIPAL BOND INSURANCE.”

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its municipal bond insurance policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of 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, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos: For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at <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 presale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <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. The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97.0151% of the principal amount thereof which resulted in a net effective interest rate of 4.430151% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Initial Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at yields lower than the public offering yield stated on the inside cover page hereof. The initial offering yield may be changed at any time by the Initial Purchaser.

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which the Bonds have been offered for sale 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 at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled “THE DISTRICT—Description and Location” “—Land Use” and “—Status of Development,” and “THE SYSTEM” has been provided by LJA Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Montgomery County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the assessed valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Utility Tax Service, LLC and is included herein in reliance upon the authority of said firm as an expert in assessing and collecting taxes.

Auditor: The District’s financial statements for the fiscal year ending May 31, 2024, have been audited by the independent accounting firm of McCall Gibson Swedlund Barfoot PLLC. See “APPENDIX A” for a copy of the District's May 31, 2024, audited financial statements.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the 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 on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission (the “SEC”) regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds; as required, in the Bond Orders, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds subject to amendment to or repeal of same as set forth below. Under the agreement, the District will be obligated to provide certain financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain financial information and operating data, which is customarily prepared by the District and publicly available annually to the MSRB. The information to be updated includes the quantitative financial information and operating data of the general type included in the District’s audited financial statements and supplemental schedules as found in “APPENDIX A.” The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2025. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements for the District are not provided to the District timely, the District will provide unaudited financial statements within the required time period and will provide such audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the District’s audit report or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Specified Event Notices

The District will provide timely notices of certain specified 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 Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District within the meaning of Rule 15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District within the meaning of the Rule, or the sale of all or substantially all of the assets of the District within the meaning of the Rule, other than in the ordinary course of business, or 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; and (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 within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District within the meaning of the Rule, any of which reflect financial difficulties. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. The term “material” when used in this paragraph shall have the meaning ascribed to them under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects 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 Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and Beneficial Owners of the Bonds. The District may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the 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 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 District’s first issuance of bonds. Therefore, the District has not previously entered into a continuing disclosure undertaking agreement.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 206, as of the date shown on the cover page.

/s/ Kristina Early
President, Board of Directors
Montgomery County Municipal Utility District No. 206

ATTEST:

/s/ Michael McKennon
Secretary, Board of Directors
Montgomery County Municipal Utility District No. 206

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of July 2024)

**MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT No. 206**



N. LOOP 336E

PHOTOGRAPHS OF THE DISTRICT
(Taken July 2024)













APPENDIX A

District Audited Financial Statements for the fiscal year ended May 31, 2024

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
MONTGOMERY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
MAY 31, 2024

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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McCALL GIBSON SWEDLUND BARFOOT PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal Utility District No. 206
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. 206 (the "District") as of and for the year ended May 31, 2024, 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 May 31, 2024, 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. 206

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

September 18, 2024

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2024**

Management’s discussion and analysis of the financial performance of Montgomery County Municipal Utility District No. 206 (the “District”) provides an overview of the District’s financial activities for the year ended May 31, 2024. 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 and liabilities 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 accounted for property tax revenues, developer advances, professional fees, and administrative costs.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2024**

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 \$9,343,896 as of May 31, 2024. This is the District's first audit. In future years, a comparative analysis of government-wide changes in net position will be presented.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the Statement of Net Position for the year ended May 31, 2024:

	Summary Statement of Net Position - 2024
Current and Other Assets	\$ 213,741
Intangible Assets	3,403,478
Total Assets	\$ 3,617,219
Due to Developer	\$ 12,920,825
Other Liabilities	40,290
Total Liabilities	\$ 12,961,115
Net Position:	
Net Investment in Capital Assets	\$ (9,408,347)
Unrestricted	64,451
Total Net Position	\$ (9,343,896)

The following table provides a summary of the District's operations for the year ended May 31, 2024, which is the initial audit period for the District:

	Summary Statement of Activities - 2024
Total Revenues	\$ 228,653
Conveyances of Assets	\$ 9,408,347
Other Expenses	96,128
Total Expenses	\$ 9,504,475
Change in Net Position	\$ (9,275,822)
Net Position, Beginning of Year	(68,074)
Net Position, End of Year	\$ (9,343,896)

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of May 31, 2024, was \$171,258, an increase of \$165,332 from the previous fiscal year primarily due to property tax revenues and developer advances exceeding professional and administrative costs.

CAPITAL ASSETS

The District does not own any capital assets as of May 31, 2024. As storm drainage and roads are constructed, they are conveyed to Montgomery County for ownership, operation, and maintenance.

INTANGIBLE ASSETS

The District is located within the city limits of the City of Conroe, Texas (the "City"). All water and wastewater infrastructure constructed within the District is conveyed to the City once completed and placed in service. The City is responsible for the operation and maintenance of the facilities for the benefit of the residents of the District. As of May 31, 2024, intangible assets constructed and conveyed to the City totaled \$3,403,478.

LONG-TERM DEBT

To date, the District has not issued any bond debt.

As of May 31, 2024, the District recorded an amount due to the Developer of \$12,920,825 which consisted of operating advances made by the Developer since inception as well as costs associated with the construction of water, wastewater, drainage and road facilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$97,183 less than budgeted revenues, actual expenditures were \$408 more than budgeted expenditures and actual developer advances were \$35,000 more than budgeted advances which resulted in a negative budget variance of \$62,591. See the budget to actual comparison for more information.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MAY 31, 2024**

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. 206, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd, Suite 1380, Houston, Texas 77056.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
MAY 31, 2024

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 211,548	\$	\$ 211,548
Receivables:			
Property Taxes	2,193		2,193
Intangible Assets		3,403,478	3,403,478
TOTAL ASSETS	\$ 213,741	\$ 3,403,478	\$ 3,617,219
 LIABILITIES			
Accounts Payable	\$ 40,290	\$	\$ 40,290
Due to Developer		12,920,825	12,920,825
TOTAL LIABILITIES	\$ 40,290	\$ 12,920,825	\$ 12,961,115
 DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 2,193	\$ (2,193)	\$ -0-
 FUND BALANCE			
Unassigned	\$ 171,258	\$ (171,258)	\$ -0-
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 213,741		
 NET POSITION			
Net Investment in Capital Assets		\$ (9,408,347)	\$ (9,408,347)
Unrestricted		64,451	64,451
TOTAL NET POSITION		\$ (9,343,896)	\$ (9,343,896)

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MAY 31, 2024

Total Fund Balance - Governmental Fund	\$	171,258
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Intangible assets in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		3,403,478
Deferred inflows of resources related to property tax revenues for the 2023 tax levy became part of recognized revenue in the governmental activities of the District.		2,193
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. This liability at year consists of:		
Due to Developer		<u>(12,920,825)</u>
Total Net Position - Governmental Activities	\$	<u>(9,343,896)</u>

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MAY 31, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 224,264	\$ 2,193	\$ 226,457
Penalty, Interest, and Other	<u>2,196</u>	<u></u>	<u>2,196</u>
TOTAL REVENUES	<u>\$ 226,460</u>	<u>\$ 2,193</u>	<u>\$ 228,653</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 55,571	\$	\$ 55,571
Contracted Services	26,267		26,267
Other	14,290		14,290
Conveyances of Assets	<u></u>	<u>9,408,347</u>	<u>9,408,347</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 96,128</u>	<u>\$ 9,408,347</u>	<u>\$ 9,504,475</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 130,332</u>	<u>\$ (9,406,154)</u>	<u>\$ (9,275,822)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ 35,000</u>	<u>\$ (35,000)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 165,332	\$ (165,332)	\$
CHANGE IN NET POSITION		(9,275,822)	(9,275,822)
FUND BALANCE/NET POSITION - JUNE 1, 2023	<u>5,926</u>	<u>(74,000)</u>	<u>(68,074)</u>
FUND BALANCE/NET POSITION - MAY 31, 2024	<u>\$ 171,258</u>	<u>\$ (9,515,154)</u>	<u>\$ (9,343,896)</u>

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

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2024**

Net Change in Fund Balance - Governmental Fund	\$	165,332
--	----	---------

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		2,193
--	--	-------

Assets conveyed to other governmental entities are recorded as expenses in the Statement of Activities.		(9,408,347)
---	--	-------------

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.		<u>(35,000)</u>
---	--	-----------------

Change in Net Position - Governmental Activities	\$	<u>(9,275,822)</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. 206
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024

NOTE 1. CREATION OF DISTRICT

Montgomery County Municipal Utility District No. 206 (the “District”) was created as a result of the passage of House Bill 4611, 87th Regular Session of the Texas Legislature, codified as Chapter 7928A, Texas Special District Laws Code, as a conservation and reclamation district created under and essential to accomplish the purposes of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operating pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, as amended. 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, to provide solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The Board of Directors held its organizational meeting on February 10, 2022.

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 on the following page.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it'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

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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund

The District's one governmental fund is considered a major fund. The General Fund accounts for property tax revenues, developer advances, professional fees, and administrative costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means 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.

The District intends to levy property taxes in future years. 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 and 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

The District does not own any capital assets as of year end. As storm drainage and roads are constructed, they are conveyed to Montgomery County for ownership, operation, and maintenance. Such assets totaling \$9,408,347 were conveyed to Montgomery County during the current fiscal year. Capital assets, if acquired, will be reported in the Statement of Net Position at historical cost. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset will be capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Intangible assets include the cost of water and wastewater infrastructure constructed within the District which are conveyed to the City of Conroe, Texas for operation and maintenance for the benefit of the residents of the District. Intangible assets are considered to have an indefinite life and, therefore, are not subject to amortization.

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 not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted 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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Fund balances in governmental funds are classified using the following hierarchy:

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

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024

NOTE 3. BOND AUTHORIZATION

The District has authorized but unissued bonds in the amount of \$98,950,000 for the purposes of acquiring or construction of water, sewer and drainage facilities, \$96,985,000 for road facilities, \$36,760,000 for park and recreational purposes, \$148,425,000 for the purpose of refunding water, sewer and drainage facilities bonds, \$145,477,500 for the purpose of refunding road bonds and \$55,140,000 for the purpose of refunding park and recreational facilities.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged.

At fiscal year end, the carrying amount of the District's deposits was \$211,548 and the bank balance was \$211,548. 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.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 May 31, 2024, the District did not own any investments.

NOTE 5. INTANGIBLE ASSETS

Intangible assets include the cost of water and wastewater infrastructure constructed within the District which are conveyed to the City of Conroe, Texas for operation and maintenance for the benefit of the residents of the District. Intangible assets are considered to have an indefinite life and, therefore, are not subject to amortization.

Intangible asset activity for the year ended May 31, 2024, is summarized in the following table:

	June 1, 2023	Increases	Decreases	May 31, 2024
Intangible Assets				
Water and Wastewater Infrastructure	\$ - 0 -	\$ 3,403,478	\$ -0-	\$ 3,403,478

NOTE 6. MAINTENANCE TAX

On May 7, 2022, District voters authorized 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 for operation and maintenance purposes. During the year ended May 31, 2024, the District levied an ad valorem maintenance tax rate of \$1.10 per \$100 of assessed valuation, which resulted in a tax levy of \$226,457 on the adjusted tax able valuation of \$20,586,964 for the 2023 tax year.

On May 7, 2022, District voters authorized the levy and collection of a maintenance tax for parks and recreational facilities not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2024

NOTE 7. RISK MANAGEMENT

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

NOTE 8. UNREIMBURSED COSTS

The District has entered into a financing and reimbursement agreement 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 recorded a liability to the Developer of \$12,920,825 for completed construction projects and operating advances as of May 31, 2024. 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:

Due to Developer, beginning of year	\$	74,000
Current year additions		<u>12,846,825</u>
Due to Developer, end of year		<u>\$ 12,920,825</u>

NOTE 9. SUBSEQUENT EVENT – PENDING BOND SALE

During the fourth quarter of 2024, the District anticipates closing on the sale of its \$5,800,000 Series 2024 Unlimited Tax Bonds. Proceeds will be used to reimburse the developer for construction and engineering costs for utility facilities serving Cliffstone Hills, Sections One and Two as well as land costs and operating advances. Proceeds will also be used to pay bond issuance costs, developer interest, and capitalized interest.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206

REQUIRED SUPPLEMENTARY INFORMATION

MAY 31, 2024

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED MAY 31, 2024

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 323,643	\$ 224,264	\$ (99,379)
Penalty, Interest, and Other	<u> </u>	<u>2,196</u>	<u>2,196</u>
TOTAL REVENUES	<u>\$ 323,643</u>	<u>\$ 226,460</u>	<u>\$ (97,183)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 62,000	\$ 55,571	\$ 6,429
Contracted Services	15,000	26,267	(11,267)
Other	<u>18,720</u>	<u>14,290</u>	<u>4,430</u>
TOTAL EXPENDITURES	<u>\$ 95,720</u>	<u>\$ 96,128</u>	<u>\$ (408)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 227,923</u>	<u>\$ 130,332</u>	<u>\$ (97,591)</u>
OTHER FINANCING SOURCES (USES)			
Developer Advances	<u>\$ -0-</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>
NET CHANGE IN FUND BALANCE	\$ 227,923	\$ 165,332	\$ (62,591)
FUND BALANCE - JUNE 1, 2023	<u>5,926</u>	<u>5,926</u>	<u> </u>
FUND BALANCE - MAY 31, 2024	<u>\$ 233,849</u>	<u>\$ 171,258</u>	<u>\$ (62,591)</u>

See accompanying independent auditor's report.

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MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

MAY 31, 2024

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
SERVICES AND RATES
FOR THE YEAR ENDED MAY 31, 2024**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service		
<input type="checkbox"/> Other (specify):		

Note: The City of Conroe, Texas is the provider of water and wastewater treatment services to residents of the District.

2. RETAIL SERVICE PROVIDERS: NOT APPLICABLE

3. TOTAL WATER CONSUMPTION: NOT APPLICABLE

4. STANDBY FEES: NOT APPLICABLE

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

City in which 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. 206
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED MAY 31, 2024

PROFESSIONAL FEES:	
Engineering	\$ 31,815
Legal	<u>23,756</u>
TOTAL PROFESSIONAL FEES	<u>\$ 55,571</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 13,789
Tax Assessment and Collection Costs	<u>12,478</u>
TOTAL CONTRACTED SERVICES	<u>\$ 26,267</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 4,520
Insurance	3,383
Mowing	1,540
Office Supplies and Postage	1,351
Website, Meetings, and Other	<u>3,496</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 14,290</u>
TOTAL EXPENDITURES	<u>\$ 96,128</u>

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2024**

	Maintenance Taxes	
TAXES RECEIVABLE -		
JUNE 1, 2023	\$ -0-	
Adjustments to Beginning		
Balance	_____	\$ -0-
Original 2023 Tax Levy	\$ 224,120	
Adjustment to 2023 Tax Levy	2,337	226,457
TOTAL TO BE		
ACCOUNTED FOR		\$ 226,457
 TAX COLLECTIONS:		
Prior Years	\$ -0-	
Current Year	224,264	224,264
 TAXES RECEIVABLE -		
MAY 31, 2024		\$ 2,193

See accompanying independent auditor's report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED MAY 31, 2024**

	2023
PROPERTY VALUATIONS:	
Land	\$ 15,933,250
Improvements	4,634,460
Personal Property	19,362
Exemptions	(108)
TOTAL PROPERTY VALUATIONS	\$ 20,586,964
 TAX RATES PER \$100 VALUATION:	
Maintenance	\$ 1.10
 ADJUSTED TAX LEVY*	
	\$ 226,457
 PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	
	99.03 %

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

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation authorized by voters on May 7, 2022.

Maintenance Tax for Park and Recreational Facilities – Maximum tax rate of \$0.10 per \$100 of assessed valuation authorized by voters on May 7, 2022.

See accompanying independent auditor’s report.

**MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – ONE YEAR**

	Amounts	Percentage of Total Revenues
	2024	2024
REVENUES		
Property Taxes	\$ 224,264	99.0 %
Penalty, Interest, and Other	2,196	1.0
TOTAL REVENUES	\$ 226,460	100.0 %
EXPENDITURES		
Professional Fees	\$ 55,571	24.5 %
Contracted Services	26,267	11.6
Other	14,290	6.3
TOTAL EXPENDITURES	\$ 96,128	42.4 %
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 130,332	57.6 %
OTHER FINANCING SOURCES (USES)		
Developer Advances	\$ 35,000	
NET CHANGE IN FUND BALANCE	\$ 165,332	
BEGINNING FUND BALANCE	5,926	
ENDING FUND BALANCE	\$ 171,258	
TOTAL ACTIVE RETAIL WATER CONNECTIONS	**	
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	**	

** The City of Conroe, Texas provides water and wastewater services for residents of the District.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 206
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2024

District Mailing Address - Montgomery County Municipal Utility District No. 206
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Blvd, Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

Board Members	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>May 31, 2024</u>	Expense Reimbursements for the year ended <u>May 31, 2024</u>	<u>Title</u>
Kristina Early	05/2022 - 05/2026 (Elected)	\$ 884	\$ -0-	President
Ian Blake	05/2024 - 05/2028 (Elected)	\$ 884	\$ -0-	Vice President
Michael McKennon	05/2022 - 05/2026 (Elected)	\$ 663	\$ -0-	Secretary
Paige Gill	05/2024 - 05/2028 (Elected)	\$ 884	\$ -0-	Assistant Secretary
Sydney LaPlante	05/2022 - 05/2026 (Elected)	\$ 884	\$ -0-	Assistant Secretary

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

Submission date of most recent District Registration Form: October 31, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution. 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. 206
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
MAY 31, 2024**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended May 31, 2024</u>	<u>Title</u>
Sanford Kuhl Hagan Kugle Parker Kahn LLP	02/10/22	\$ 27,044	General Counsel
McCall Gibson Swedlund Barfoot PLLC	02/10/22	\$ -0-	Auditor
Municipal Accounts & Consulting, L.P.	02/10/22	\$ 14,256	Bookkeeper
Masterson Advisors, LLC	02/10/22	\$ -0-	Financial Advisor
LJA Engineering, Inc.	05/10/22	\$ 29,664	Engineer
Utility Tax Service, LLC	02/10/22	\$ 6,280	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

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Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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