PRELIMINARY OFFICIAL STATEMENT DATED APRIL 1, 2024

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 96, AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION SUBJECT TO THE MATTERS DESCRIBED UNDER "LEGAL MATTERS" HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS. SEE "LEGAL MATTERS" HEREIN FOR A DISCUSSION OF 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
CUSIP No. 61371P

$5,800,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 96
(A political subdivision of the State of Texas, located in Montgomery County, Texas)
UNLIMITED TAX BONDS
SERIES 2024

Dated: June 1, 2024 **Due: April 1 (as shown below)**
Interest Accrual Date: Date of Delivery

The $5,800,000 Unlimited Tax Bonds, Series 2024 (referred to herein as the "Bonds" or the "Series 2024 Bonds") are being issued by Montgomery County Municipal Utility District No. 96 (the "District"). Principal of the Bonds is payable at maturity or prior redemption. Interest on the Bonds initially accrues from the initial date of delivery (expected on or about June 6, 2024) (the "Date of Delivery") and is payable on October 1, 2024. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each April 1 and October 1 until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds will mature in the amounts, on the dates, and bear interest at the rates and be reoffered at set forth below.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

Principal Amount	Maturity	Interest Rate	Yield to Maturity(a)	Principal Amount	Maturity	Interest Rate	Yield to Maturity(a)
$125,000	2027	%	%	$225,000	2039 (b)	%	%
$150,000	2028	%	%	$250,000	2040 (b)	%	%
$150,000	2029	%	%	$250,000	2041 (b)	%	%
$150,000	2030 (b)	%	%	$275,000	2042 (b)	%	%
$150,000	2031 (b)	%	%	$275,000	2043 (b)	%	%
$175,000	2032 (b)	%	%	$300,000	2044 (b)	%	%
$175,000	2033 (b)	%	%	$300,000	2045 (b)	%	%
$200,000	2034 (b)	%	%	$325,000	2046 (b)	%	%
$200,000	2035 (b)	%	%	$350,000	2047 (b)	%	%
$200,000	2036 (b)	%	%	$375,000	2048 (b)	%	%
$200,000	2037 (b)	%	%	$375,000	2049 (b)	%	%
$225,000	2038 (b)	%	%	$400,000	2050 (b)	%	%

(a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.

(b) The Bonds maturing on or after April 1, 2030, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2029, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds of a maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of $5,000 in any one maturity. See "THE BONDS—Redemption Provisions."

The Bonds will be registered and delivered only 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 (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar, as herein defined, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See "BOOK-ENTRY-ONLY SYSTEM". Regions Bank, Houston, Texas is the initial Paying Agent/Registrar.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston or any entity other than the District. Investment in the Bonds is subject to special risk factors described herein. See "RISK FACTORS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about June 6, 2024.

Bids Due: Monday, May 6, 2024, at 9:00 a.m. Houston Time

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC"), as amended and in effect on the date hereof, this document constitutes an OFFICIAL STATEMENT of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for the omission of no more than the information permitted by SEC Rule 15c2-12.

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas, 77056, upon the payment of the costs of duplication thereof.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2024 Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by ______________________ (the "Underwriter"), paying the interest rates shown on the cover page hereof, at a price of ___________% of the principal amount thereof, which resulted in a net effective interest rate of ___________% as calculated pursuant to Chapter 1204, Texas Government Code, as amended (the IBA method).

Prices and Marketability

Subject to certain limitations described further in the NOTICE OF SALE, the District has no understanding with the Underwriter regarding the initial reoffering yields or prices of the Bonds. Information concerning initial reoffering yields or prices is the responsibility of the Underwriter.

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

Issuer The District is a political subdivision of the State of Texas, created by an order of the Texas Commission on Environmental Quality (the "TCEQ") on August 21, 2006, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently includes within its boundaries approximately 285 acres of land. The District is located in Montgomery County, Texas. See "THE DISTRICT."

Location The District is located approximately 30 miles northeast of the central downtown business district of the City of Houston and lies wholly within the exclusive extraterritorial jurisdiction of the City of Houston and within the boundaries of the New Caney Independent School District. The District is located approximately 1 mile west of U.S. Highway 59/Interstate 69; Sorters McClellan Road runs north to south and bisects the District. See "THE DISTRICT" and "AERIAL LOCATION MAP."

The Developers The three developers in the District are KB Home Lone Star Inc., a Texas corporation ("KB Home Lone Star"); Skymark Development Company, Inc., a Texas corporation ("Skymark"); and Century Land Holdings of Texas, LLC, a Colorado limited liability company ("Century Communities"). The three developers in the District are collectively referred to herein as the "Developers". See "THE DEVELOPERS."

KB Home Lone Star is the developer/home builder of the subdivision known as Brookwood Forest. KB Home Lone Star has completed the development of approximately 84 acres (402 lots) in Brookwood Forest, Sections 1 – 8.

Century Communities is the developer/home builder of approximately 85 acres of land in the District known as the Northpark Woods subdivision. Century Communities has developed Northpark Woods, Sections 1 – 3 into 379 single-family lots.

In August 2023, Century Communities purchased approximately 50 acres from Skymark Development Company. As of March 1, 2024, Century is in the process of developing approximately 34 acres (148 lots) known as Northpark South, Section 1. It is currently anticipated that such lots will be available for homebuilding development in August 2024. Century anticipates that homes in Northpark South, Section 1 will be marketed in the $286,000 price range. Century owns approximately 16 additional acres in the District.

Skymark is the owner of approximately 5 acres of undeveloped land in the District. Skymark has indicated to the District that it has no immediate plans for the development of such acreage.

Status of Development As of March 1, 2024, residential development in the District includes 781 completed homes, 0 homes under construction, and 0 vacant developed lots. Approximately 775 of the completed homes are currently occupied. See "THE DISTRICT – Status of Land Development/Land Uses in the District," and "– Current Status of Development."

Payment Record The Bonds represent the fifth issuance of bonds by the District. The District currently has $14,670,000 principal amount of unlimited tax bonds outstanding (the "Outstanding Bonds"). The District has never defaulted on any of its debt obligations.

THE BONDS

Description The $5,800,000 Unlimited Tax Bonds, Series 2024 (herein the "Bonds" or the "Series 2024 Bonds") are being issued as fully registered bonds pursuant to an order (the "Bond Order") authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature on April 1 of the years as shown on the cover page of this Official Statement. The Bonds will be issued in book-entry form only in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds initially accrues from the date of delivery of the Bonds to the Underwriter (the "Date of Delivery"), and is payable on October 1, 2024. Thereafter, interest on the Bonds accrues from the most recent interest payment date and is payable on each April 1 and October 1 until maturity or prior redemption. See "THE BONDS."

Book-Entry-Only System	The Depository Trust Company, New York, New York, ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC or its designee. See "BOOK-ENTRY-ONLY SYSTEM."
Redemption	Bonds maturing on or after April 1, 2030, are subject to redemption at the option of the District in whole, or from time to time in part, prior to their maturity dates on April 1, 2029, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Optional Redemption."
Use of Proceeds	Proceeds from the Bonds will be used to: (1) reimburse a developer for funds advanced on behalf of the District for eligible engineering and construction costs related to Northpark Woods Detention Phase 1 and 2; water, sewer, and drainage facilities to serve Northpark Woods, Sections 1 and 2; Wastewater Treatment Plant, Phase II; Operating Advances; and developer interest; and (2) pay issuance and administrative expenses associated with the sale of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Authority for Issuance	The Series 2024 Bonds are the fifth series of bonds issued out of an aggregate of $55,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. The Bonds are issued by the District pursuant to an order of the TCEQ, the general laws of the State of Texas, including without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, an election held within the boundaries of the District on November 7, 2006, and the Bond Order. See "THE BONDS—Authority for Issuance."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any entity other than the District. See "THE BONDS – Source and Security for Payment."
No Municipal Bond Rating	The District has not made an application for an underlying rating on the Bonds to any municipal bond rating service. See "NO MUNICIPAL BOND RATING."
Bond Insurance	The District has applied to Assured Guaranty Municipal Corp. ("AGM") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. Potential purchasers may bid for the Bonds with or without bond insurance. If the Underwriter bids the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. If the Underwriter purchases the Bonds with bond insurance and, subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is downgraded then the Underwriter is still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from AGM or BAM on the day of the sale.
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See "LEGAL MATTERS - Qualified Tax-Exempt Obligations."
Bond Counsel	Schwartz, Page & Harding, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT – District Consultants" and "LEGAL MATTERS."
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	The GMS Group, L.L.C., Houston, Texas. See "MANAGEMENT OF THE DISTRICT – District Consultants."
Paying Agent/Registrar	Regions Bank, an Alabama banking corporation, Houston, Texas. See "THE BONDS – Method of Payment of Principal and Interest."

RISK FACTORS

The purchase and ownership of the Bonds are subject to special risk factors. Prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned "RISK FACTORS."

SELECTED FINANCIAL INFORMATION (UNAUDITED)

3/1/2024 Estimated Taxable Value	$209,216,103	(a)
2023 Certified Taxable Value	$201,180,879	(b)
Direct Debt		
Outstanding Bonds (as of April 1, 2024)	$14,670,000	
The Bonds	$5,800,000	
Total Direct Debt	$20,470,000	
Estimated Overlapping Debt	$20,034,614	
Direct and Estimated Overlapping Debt	$40,504,614	
Percentage of Direct Debt to:		
3/1/2024 Estimated Taxable Value	9.78%	
2023 Certified Taxable Value	10.17%	
Percentage of Direct and Estimated Overlapping Debt to:		
3/1/2024 Estimated Taxable Value	19.36%	
2023 Certified Taxable Value	20.13%	
2023 Tax Rate Per $100 of Assessed Value		
Debt Service Tax	$0.31	
Maintenance Tax	$0.99	
Total 2023 Tax Rate	$1.30	
Cash and Temporary Investment Balances as of April 1, 2024		
General Fund	$5,542,257	
Debt Service Fund	$1,198,424	(c)

(a) Reflects data supplied by Montgomery Central Appraisal District ("MCAD"). The Estimated Taxable Value as of March 1, 2024, was prepared by MCAD and provided to the District. Such values are not binding on MCAD. The new values (subsequent to January 1, 2024) will not be included on the District's tax roll until the 2025 tax roll is prepared and certified by MCAD during the second half of 2025. See "TAX DATA" and "TAXING PROCEDURES."

(b) The 2023 Certified Taxable Value was prepared by MCAD. See "TAX DATA."

(c) Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA. "

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96
(A political subdivision of the State of Texas located within Montgomery County)

$5,800,000
UNLIMITED TAX BONDS
SERIES 2024

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Montgomery County Municipal Utility District NO. 96 (the "District") of its $5,800,000 Unlimited Tax Bonds, Series 2024 (herein the "Bonds" or the "Series 2024 Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, an order authorizing the issuance of the Series 2024 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"), and an election held within the District on November 7, 2006.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the Developers, the homebuilders building homes in the District, and the 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 certain of the documents may be obtained from Schwartz, Page & Harding, L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 2400, Houston, Texas 77056.

THE BONDS

General

The 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, a copy of which is available from Bond Counsel upon payment of the costs of duplication therefor. 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.

Description

The Bonds will be dated June 1, 2024, with interest payable on October 1, 2024, and on each April 1 and October 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. Interest calculations are based upon a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months. The Bonds mature on April 1 of the years and in the amounts, and bear interest at the rates shown under "MATURITIES, AMOUNTS, INTEREST RATES, AND PRICES" on the cover page hereof. The Bonds are issued in fully registered form only in denominations of $5,000 or any integral multiple of $5,000 for any one maturity. The Bonds will be registered and delivered only to The Depository Trust Company, New York, New York ("DTC"), in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein ("Registered Owners"). No physical delivery of the Bonds will be made to the purchasers thereof. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance

At an election held within the District on November 7, 2006, voters of the District authorized a total of $55,000,000 in principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. The Bonds constitute the fifth issuance of bonds from such authorization. After the issuance of the Bonds, a total of $34,300,000 in principal amount of unlimited tax bonds for water, sanitary sewer, and drainage facilities will remain authorized but unissued. See "Issuance of Additional Debt" herein.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, an order of the TCEQ (the "TCEQ Order"), and Chapters 49 and 54 of the Texas Water Code, as amended.

Source and Security for Payment

The Bonds, together with the Outstanding Bonds and any additional bonds payable from ad valorem taxes, are secured by and payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. See "TAXING PROCEDURES." Investment in the Bonds involves certain elements of risk, and all prospective purchasers are urged to examine carefully this OFFICIAL STATEMENT with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Houston, or any political subdivision or entity other than the District.

Funds

The Bond Order confirms the establishment of the District's Construction Fund (the "Construction Fund") and the District's Bond Fund (the "Bond Fund") created and established pursuant to the orders of the District authorizing the issuance of the Outstanding Bonds. The proceeds of the Bonds will be deposited in the Construction Fund. The Bond Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds, the Bonds, and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds, the Bonds, and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Outstanding Bonds, the Bonds and any additional bonds payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

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

The District reserves the right, at its option, to redeem the Bonds maturing on and after April 1, 2030 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on April 1, 2029 or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption (the "Redemption Date"). If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the Redemption Date, in the manner specified in the Bond Order.

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

Method of Payment of Principal and Interest

The Board has appointed Regions Bank, an Alabama banking corporation, 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 "BOOK-ENTRY-ONLY SYSTEM."

Registration

Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Beneficial Owner's income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered Bond will be issued for each maturity of the Bonds and will be deposited with DTC. So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrar in the State of Texas for the purpose of maintaining the Register on behalf of the District. See "BOOK-ENTRY-ONLY SYSTEM."

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 be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a duly qualified and competent trust or banking corporation or organization organized and doing business under the laws of the United States of America or of any State thereof, with a combined capital and surplus of at least $25,000,000, which is subject to supervision of or examination by federal or state banking authorities, and which is a transfer agent duly registered with the United States Securities and Exchange Commission.

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 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.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of $55,000,000 unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and could authorize additional amounts. Following the issuance of the Bonds, the District will have $34,300,000 of unlimited tax bonds authorized but unissued for said improvements and facilities. The District's voters have also authorized a total of $55,000,000 unlimited tax refunding bonds for the purpose of refunding outstanding bonds of the District and could authorize additional amounts. The District currently has $55,000,000 of unlimited tax refunding bonds authorized but unissued.

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 ultimately issued by the District.

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 fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The District does not provide fire protection service, and the Board has not considered calling such an election at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Financing Road Facilities

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" or calling such an election at this time. Issuance of bonds for roads could dilute the investment security for the Bonds.

Financing Recreational Facilities

Conservation and reclamation districts in certain counties are authorized to develop and finance with property taxes certain recreational facilities after a district election has been successfully held to approve the issuance of bonds payable from taxes and/or a maintenance tax to support recreational facilities.

The District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of recreational facilities if (i) the District duly adopts a plan for the facilities; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed 1% of the value of the taxable property in the District at the time of issuance of the bonds, or, in the event the District meets certain conditions, 3% of the value of the taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost in the plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; (v) the issuance of the bonds is approved by the TCEQ in accordance with its rules with respect to same; and (vi) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election.

In addition, the District is authorized to levy an operation and maintenance tax to support recreational facilities at a rate not to exceed 10 cents per $100 of assessed valuation of taxable property in the District, after such tax is approved at an election. Said maintenance tax is in addition to any other maintenance tax authorized to be levied by the District. The District has not considered calling an election for such purposes but could consider doing so in the future.

Issuance of bonds for recreational facilities could dilute the investment security for the Bonds.

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District may be annexed for full purposes by the City of Houston, subject to compliance by the City of Houston with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Houston hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Houston must assume the District's assets and obligations (including the Bonds and the Outstanding Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Houston is a policy-making matter within the discretion of the Mayor and City Council of the City of Houston, and, therefore, the District makes no representation that the City of Houston will ever attempt to annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City of Houston to make debt service payments should annexation occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

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 right to seek 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. Certain traditional legal remedies may also not be available. See “RISK FACTORS - Registered Owners’ Remedies.”

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) for obligations of the District payable from revenues or from ad valorem taxes or both, or 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 noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by 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. The foregoing obligations may be in book entry form and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

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 or completeness thereof.

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

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

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

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

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

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

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

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

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

Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the Bonds will be used to: (1) reimburse a developer for funds advanced on behalf of the District for eligible engineering and construction costs related to Northpark Woods Detention Phase 1 and 2; water, sewer, and drainage facilities to serve Northpark Woods, Sections 1 and 2; Wastewater Treatment Plant, Phase II; Operating Advances; and developer interest; and (2) pay issuance and administrative expenses associated with the sale of the Bonds.

The construction costs below were approved by the TCEQ in the TCEQ order authorizing the issuance of the Bonds. Non-construction costs are based upon either contract amounts or estimates of various costs by the District Engineer. The actual amounts to be reimbursed by the District and the non-construction costs will be determined after the sale of the Bonds and agreed upon procedures are completed by the District's independent auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ where required.

	Total Amount	
CONSTRUCTION COSTS AS APPROVED BY THE TCEQ:		
Northpark Woods Development Costs	$2,925,577	
Interim Wastewater Treatment Plant (Phase II)	$326,447	
Engineer and Hydrology Costs	$671,448	
TOTAL CONSTRUCTION COSTS	**$3,923,472**	
NON-CONSTRUCTION COSTS:		
Legal Fees	$155,000	
Fiscal Agent Fees	$116,000	
Developer Interest	$1,027,338	
Bond Discount	$174,000	
Bond Issuance Expenses	$42,700	
Bond Application Report	$65,000	
Attorney General Fee	$5,800	
TCEQ Bond Issuance Fee	$14,500	
Operating Advances	276,190	
Contingencies	$0	(a)
TOTAL NON-CONSTRUCTION COSTS	**$1,876,570**	
TOTAL BOND ISSUE REQUIREMENT	**$5,800,000**	

(a) The TCEQ Order requires that the District designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower bond discount than the rate or discount authorized by the TCEQ Order as a contingency line item in the Official Statement. Such funds may be used by the District only in accordance with the TCEQ rules.

THE DISTRICT

General

The District is a municipal utility district created by an order of the TCEQ, dated August 21, 2006, under Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District, which lies wholly within the extraterritorial jurisdiction of the City of Houston, is subject to the continuing supervisory jurisdiction of the TCEQ.

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. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate and maintain fire-fighting facilities, separately or jointly with one or more conservation and reclamation districts, municipalities or other political subdivisions, after approval by the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance recreational facilities and may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See "THE BONDS - Issuance of Additional Debt," "- Financing Road Facilities," and "- Financing Recreational Facilities."

The District is required to observe certain requirements of the City of Houston which limit the purposes for which the District may sell bonds to finance the acquisition, construction, and improvement of waterworks, wastewater, drainage, recreational, road, and firefighting facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Houston of District construction plans; and permit connections only to lots and reserves described in a plat that has been approved by the City of Houston and filed in the real property records of Montgomery County, Texas. The District is also required to obtain certain TCEQ approvals prior to acquiring, constructing, and financing road and firefighting facilities, as well as voter approval of the issuance of bonds for said purposes and/or for the purposes of financing recreational facilities. Construction and operation of the District's drainage system is subject to the regulatory jurisdiction of additional State of Texas and local agencies. See "THE SYSTEM."

Description and Location

The District currently includes within its boundaries approximately 285 acres of land in southeast Montgomery County. See "Land Use" herein. The District is located approximately 30 miles northeast of the central downtown business district of the City of Houston and lies wholly within the extraterritorial jurisdiction of the City of Houston and within the boundaries of the New Caney Independent School District. The District is located in southeast Montgomery County, approximately 1 mile west of U.S. Highway 59/Interstate 69. Sorters McClellan Road is runs through the middle of the District with Brookwood Forest located to the east and Northpark Woods located to the west. See "AERIAL LOCATION MAP."

Status of Land Development/Land Uses in the District

A summary of the approximate land use in the District as of March 1, 2024, appears in the table below:

Type of Land Use	Approximate Acres	
Fully developed acres	169	(a)
Acres that are presently under development	34	(b)
Remaining developable acres	21	(c)
Undevelopable acres	61	(d)
Total approximate acres	**285**	

(a) Represents acreage in Brookwood Forest, Sections 1 – 8, which includes 402 developed lots that have been developed by KB Home Lone Star. Also represents Northpark Woods, Sections 1 – 3 which includes 379 lots developed by Century Communities. All of the developed lots in the District have been built upon and approximately 775 of the 781 homes in the District are currently occupied.

(b) Represents 34 acres in Northpark South, Section 1 that is currently under new development by Century Communities.

(c) Represents approximately 16 acres currently owned by Century Communities that is located within the Northpark South subdivision. and approximately 5 acres currently owned by Skymark; Skymark has not notified the District of its plans to develop such acreage.

(d) Includes land in detention ponds, drainage channels, District water plant and wastewater plant sites, and land that is used as a New Caney ISD elementary school site, which is not subject to ad valorem taxation.

Current Status of Residential Development

The status of development in the District as of March 1, 2024, is summarized in the table below. Approximately 775 of the 781 homes in the District are currently occupied.

Subdivision/Section	Acres	Lots	Homes Completed	Homes Under Construction	Vacant Lots
Brookwood Forest, Section 1	4	7	7	0	0
Brookwood Forest, Section 2	8	64	64	0	0
Brookwood Forest, Section 3	10	31	31	0	0
Brookwood Forest, Section 4	12	55	55	0	0
Brookwood Forest, Section 5	16	69	69	0	0
Brookwood Forest, Section 6	11	54	54	0	0
Brookwood Forest, Section 7	12	63	63	0	0
Brookwood Forest, Section 8	11	59	59	0	0
Northpark Woods, Section 1	32	124	124	0	0
Northpark Woods, Section 2	36	156	156	0	0
Northpark Woods, Section 3	17	99	99	0	0
TOTALS	**169**	**781**	**781**	**0**	**0**

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. 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.

Investors in the Bonds should note that the prior real estate experience of the Developers and its affiliates should not be construed as an indication that further development within the District will occur, or that construction of additional 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. The District cautions that the development experience of the Developers or its affiliates was gained in different markets and under different circumstances than those that exist in the District, and the prior success of the Developers or its affiliates, if any, is no indication or guarantee that the Developers will be successful in the future development of land within the District.

K-B Home Lone Star, Inc.

KB Home Lone Star, Inc., a Texas corporation ("KB Home Lone Star") and indirect wholly-owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "KBH", is the developer of approximately 84 acres in the Brookwood Forest subdivision within the District. KB Home Lone Star has completed the construction of homes on all 402 single-family residential lots in Brookwood Forest, Sections 1 – 8.

KB Home Lone Star does not have any legal commitment to the District or to owners of the Bonds to continue development of any additional land within the District and has no plans to develop additional land in the District at this time.

Century Land Holdings of Texas, LLC

Century Land Holdings of Texas, LLC, a Colorado limited liability company ("Century Communities") is the developer/home builder of approximately 85 acres of land in the District known as the Northpark Woods subdivision. Century Communities has completed the buildout Northpark Woods, Sections 1 – 3.

In August 2023, Century Communities purchased approximately 50 acres from Skymark Development Company. As of March 1, 2024, Century Communities is in the process of developing approximately 34 acres (148 lots) known as Northpark South, Section 1. It is currently anticipated that such lots will be available for homebuilding development in August 2024. Century Communities anticipates that homes in Northpark South, Section 1 will be marketed in the $286,000 price range. Century Communities owns approximately 16 additional acres in the District.

Skymark Development Company, Inc.

Skymark Development Company, Inc., a Texas corporation ("Skymark"), is the owner of approximately 5 acres of undeveloped land in the District. Skymark has no immediate plans for the development of such acreage.

MANAGEMENT OF THE DISTRICT

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 staggered terms and elections are held in May in even numbered years. All of the Board members own taxable property within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

Name	Title	Term Expires
Robert C. Watson	President	May 2026
David Grassbaugh	Vice President	May 2028
Nadine Bitner	Secretary	May 2026
Anthony Salazar	Assistant Secretary	May 2026
Jim Ivey	Assistant Secretary	May 2028

District Consultants

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

Bond Counsel and General Counsel: Schwartz, Page & Harding, L.L.P. ("Bond Counsel") serves as bond counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Schwartz, Page & Harding, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel to the District. The fees to be paid to Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent on the issuance, sale and delivery of the Bonds.

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

Auditor: The financial statements of the District as of April 30, 2023, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Engineer: The District's consulting engineer is R.G. Miller Engineers, Inc. (the "Engineer").

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

Utility System Operator: The operator of the District is Municipal District Services, LLC. (the "Operator").

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

THE SYSTEM

Regulation

The District's water, wastewater, and storm drainage facilities have been designed in accordance with accepted engineering practices and the recommendations of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and Montgomery County.

Operation of the District's waterworks and wastewater facilities are subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ, and the Texas Department of State Health Services. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Description of the System

- Water Supply -

Water supply for the District is provided by one well which has a total capacity of 850 gallons-per-minute (“gpm”) with 143,000 gallons of ground storage tank (“GST”) capacity, hydropneumatic tanks (“HPT”) totaling 30,000 gallons and booster pumps with a total rated capacity of 1,950 gpm (the “Water Plant”), which the District financed with a portion of the proceeds from the District’s first bond issue. According to TCEQ criteria, the District’s Water Plant is currently capable of serving 634 equivalent single-family connections (“ESFCs”). The District has commenced a water plant expansion to add additional GST and booster pump capacity which will allow the Water Plant to serve a total of approximately 959 ESFCs; it is currently anticipated that the plant expansion will be completed during the fourth quarter of 2024.

Groundwater Regulation; GRP Contract

In 2001, the Texas Legislature created the Lone Star Groundwater Conservation District (the "Conservation District") to manage and protect Montgomery County’s groundwater aquifers. The District is located within the boundaries of the Conservation District and, therefore, the withdrawal of groundwater by the District's water wells is subject to permitting and regulation by the Conservation District.

- Groundwater Regulation -

In 2009, the Conservation District adopted amendments to its District Regulatory Plan which required large-volume water users in the county, such as the District, to reduce groundwater pumpage and convert to alternative sources of water, including surface water. As described hereinafter, the District entered into a contract with the San Jacinto River Authority (the “Authority”) to achieve compliance with such groundwater reduction requirements.

- District Participation in Groundwater Reduction Plan -

In response to the Conservation District's adoption of groundwater reduction requirements in 2009, the San Jacinto River Authority (the “Authority”) developed and adopted a Groundwater Reduction Plan ("GRP") and entered into contracts ("GRP Contracts") with water providers representing approximately 151 water systems ("GRP Participants") to participate in the Authority's GRP and the related construction of surface water treatment facilities and pipelines to convert the water systems of certain GRP Participants from primarily groundwater supplies to primarily surface water supplies. The District entered into a GRP Contract with the Authority dated as of February 1, 2014. The Authority has issued, in phases, $554,280,000 principal amount of bonds secured by payments made by the GRP Participants ("GRP Fees"), which payments consist of (i) a fee on groundwater withdrawals by GRP Participants ("Pumpage Fee"), and/or (ii) a fee on surface water delivered by the Authority to certain GRP Participants ("Surface Water Fee"). GRP Participants, such as the District, are obligated by the GRP Contracts to make payments to the Authority sufficient to provide for the payment of the outstanding GRP Division bonds pursuant to such contracts. The Pumpage Fee has increased from $0.50 in 2009 to $2.99 per 1,000 gallons effective September 1, 2022 and the Surface Water Fee has increased from $2.44 in 2014 to $3.41 per 1,000 gallons effective September 1, 2022.

- Litigation Related to Groundwater Regulation -

In August of 2015, in City of Conroe, Texas et. al. vs. Richard J. Tram, et. al., filed in the 284th Judicial District Court, Montgomery County, Texas, the City of Conroe, Texas and various investor owned utilities sued the Conservation District and its Board of Directors claiming that the 2009 groundwater reduction requirements adopted by the Conservation District were beyond its legal authority and constitute an unconstitutional taking of the plaintiffs’ water. In September 2018, the 284th Judicial District Court ruled that such groundwater reductions requirements were invalid. While the Conservation District initially appealed the ruling, the Conservation District approved a settlement offer with the plaintiffs on January 22, 2019. The settlement was accepted on January 24, 2019, and included the withdrawal of the Conservation District’s appeal. On February 5, 2019, the Conservation District issued its notice of impending regulatory changes to comply with that judgment. In addition, in March of 2019, the Conservation District adopted an amended Groundwater Management Plan and submitted the plan to the Texas Water Development Board for review and approval in accordance with the requirements of Chapter 36 of the Texas Water Code. In May of 2019, the Texas Water Development Board rejected the amended Groundwater Management Plan. The Conservation District appealed the rejection of the amended Groundwater Management Plan, and, following mediation, the District submitted its revised Groundwater Management Plan to the Texas Water Development Board on April 14, 2020. The revised management plan was approved by the Texas Water Development Board on June 4, 2020. On September 9, 2020, the Conservation District adopted new rules that supersede the substantive requirements of the 2009 District Regulatory Plan, in that such new rules (a) no longer require a reduction in groundwater pumpage and conversion to alternative sources of water, and (b) no longer require participation in a groundwater reduction plan. Such new rules further provide, among other things, that the Conservation District may implement proportional reductions in groundwater pumpage in the future. The full impact of these matters on the District is not known at this time. Regulatory changes by the Conservation District may impact the District's production of groundwater from its wells.

- Litigation Related to the Authority's Groundwater Reduction Plan –

On June 20, 2016, the Authority adopted a Rate Order setting revised rates applicable to its GRP Participants. The rate revisions were to become effective on September 1, 2016. On August 16, 2016, the City of Conroe, Texas, the second-largest rate payer in the Authority's GRP, adopted an ordinance that, among other things, directed City staff not to pay the revised rates adopted by the Authority. Litigation ensued as described below.

Quadvest, L.P. et al. v. San Jacinto River Authority, No. 19-09-12611, in the 284th Judicial District Court for Montgomery County, Texas. Quadvest, L.P., Woodland Oaks Utility, L.P., Everett Square, Inc., E.S. Water Consolidators, Inc., Utilities Investments Co., Inc., and T&W Water Service Company filed a lawsuit against the Authority in Montgomery County, Texas, for breach of the parties GRP Contracts. Plaintiffs allege that that the Authority has improperly set the rates it charges for groundwater pumpage and surface water usage under the GRP Contracts. Because the Texas Supreme Court's opinion limited the suit under Government Code Chapter 1205, as discussed above, to the validity of the GRP Contracts and excluded compliance with those contracts, the Authority filed cross-claims against the Cities of Conroe and Magnolia for breach of contract for their failure to pay the prevailing GRP rates since September 2016. Conroe and Magnolia challenged the trial court's jurisdiction on the basis of governmental immunity, specifically that the GRP Contracts lack the essential terms of price and quantity necessary for the statutory waiver of immunity to apply and because the parties did not first mediate their dispute. The trial court granted the Cities' plea to the jurisdiction, and the Authority took an interlocutory appeal. That appeal was styled San Jacinto River Authority v. City of Conroe, Texas and City of Magnolia, Texas, No. 09-20-00180-CV, in the Court of Appeals for the Ninth District of Texas, Beaumont, Texas. On April 21, 2022, the court of appeals affirmed the grant of the Cities' plea to the jurisdiction because the parties did not first mediate their dispute. The court held mediation was a jurisdictional prerequisite to the waiver of immunity. The Authority filed a Petition for Review asking the Supreme Court of Texas to review the decision of the Ninth Court. On September 1, 2023, the Supreme Court of Texas granted the Petition for Review and heard oral argument on January 9, 2024.

San Jacinto River Authority v. Quadvest, L.P. et al., No. 20-08-10189, in the 284th Judicial District Court for Montgomery County, Texas. After the Montgomery County District Court granted the plea to the jurisdiction in the lawsuit discussed in the preceding paragraph, Quadvest, L.P. and Woodland Oaks Utility, L.P. announced that they would no longer pay the fees owed under the GRP Contracts. Once the trial court issued orders on December 16, 2022, denying defendants' motion for partial summary judgment and granting the Authority's motion for partial summary judgement, holding that the GRP Contracts are incontestable, valid, and enforceable according to their terms. Rather than proceed with discovery and trial, the utilities wanted to file an interlocutory appeal on the issue of the incontestability of the GRP Contracts. SJRA was agreeable to an interlocutory appeal on the condition that Quadvest and Woodland Oaks paid the amount in dispute and agreed to pay going forward until some final court order relieves them of the obligation. Quadvest and Woodland Oaks paid the amounts owing and remain current and filed an interlocutory appeal in the Ninth Court of Appeals, No. 09-23-00167. The utilities filed their Appellants' Brief on August 31, 2023. Since then, SJRA has filed its Appellee's Brief and the utilities have filed their Reply Brief.

Quadvest, L.P. et al. v. San Jacinto River Authority, No. 4:19-CV-4508, in the U.S. District Court for the Southern District of Texas. Quadvest, L.P. and Woodland Oaks Utility, L.P. have filed a lawsuit against the Authority in federal court for violation of the federal antitrust laws in connection with Authority's GRP Contracts. Plaintiffs allege that the GRP Contracts are illegal because they "unreasonably restrain trade." Plaintiffs have now amended their Complaint to add a claim for attempted monopoly. The parties concluded discovery in August 2023. The above summary based on the status of litigation through August 31, 2023. On September 1, 2023, SJRA filed its motion for summary judgment; Quadvest filed its own motion for summary judgment on September 5, 2023. Those motions were both denied and a bench trial was held on January 9, 2024. The parties are waiting on the court's judgement.

The Authority is contesting all of the above lawsuits vigorously and intends to continue to do so. The Authority cannot express a judgement as to the potential outcome of the lawsuits, estimate the amount or range of potential collections and/or losses related to the lawsuits, or estimate legal expenses that may be incurred in contesting the lawsuits. No inference should be drawn from the foregoing.

In the Annual Comprehensive Financial Report for the Authority's fiscal year ended August 31, 2023, the Authority reported total unpaid fees, interest, and penalties due as of August 31, 2023, in the amount of $20,722,971 with respect to the City of Conroe, $1,232,159 with respect to the City of Magnolia, $3,721,574 with respect to Quadvest, L.P., and $285,887 with respect to Woodland Oaks Utility, L.P.

At this time, no evaluation can be made as to the outcome of the above lawsuit or the impacts on the Authority and the resultant impact on GRP Participants such as the District.

-Wastewater Treatment-

Wastewater treatment for the District is provided by a 200,000 gallons-per-day ("gpd") Wastewater Treatment Plant. According to the District's Engineer, the Wastewater Treatment Plant is capable of serving 888 ESFCs according to TCEQ criteria after said plant was re-rated by the TCEQ in 2020.

- Drainage System -

Storm water runoff within the District is currently routed through a concrete curb and gutter paved street system which inlets to reinforced concrete pipe, and storm water collector lines, that outfall into detention ponds and existing drainage channels located within the District. All of the drainage facilities ultimately outfall into the West Fork San Jacinto River. The internal storm drainage collection system is sized to carry the design flows based on single-family residential and commercial land uses and storm drainage requirements of the City of Houston and Montgomery County, and were designed to accommodate the 100-year sheet flow. The District is responsible for maintenance of its detention basins. Storm Water Quality and Treatment measures are implemented as required by Montgomery County.

According to the District's Engineer, approximately 10.8 acres in the District are located in the 100-year flood plain. The 10.8 acres that is located in the 100-year flood plain represents land that is currently developed as detention facilities. None of the developed lots in the District are located in the 100-year flood plain. The District will have the ability to mitigate any future development that might be located in the 100-year flood plain.

District Operations

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 District's source of operating revenues are water and sewer revenue and maintenance taxes. Net revenues from operation of the District, if any, are available for any legal purpose, including, upon Board action, the payment of debt service on the Bonds. It is anticipated that no operation revenues will be used for debt service on the Bonds in the foreseeable future.

The following statement sets forth in condensed form the General Operating Fund for the District as shown in the District's audited financial statements for the fiscal years ended April 30, 2019-2023. Such figures are included for informational purposes only. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended April 30				
	2023	**2022**	**2021**	**2020**	**2019**
REVENUES					
Property taxes	$1,689,279	$1,118,194	$850,598	$543,453	$452,778
Water services	$298,373	$270,924	$198,265	$129,052	$87,820
Sewer services	$421,750	$399,754	$267,835	$165,261	$102,062
Surface water fees	$219,501	$185,478	$124,803	$80,675	$57,050
Penalty and interest	$23,358	$19,710	$6,475	$8,090	$6,602
Tap connections and sewer inspection fees	$2,908	$147,150	$344,585	$198,450	$99,845
Interest on deposits	$91,930	$2,443	$2,924	$11,413	$1,513
Other Income	$12,505	$17,430	$19,084	$12,705	$7,171
TOTAL REVENUES	**$2,759,604**	**$2,161,083**	**$1,814,569**	**$1,149,099**	**$814,841**
EXPENDITURES					
Current:					
Professional fees	$118,517	$100,763	$100,794	$122,818	$110,877
Contracted services	$103,949	$78,236	$59,682	$54,415	$55,518
Utilities	$71,291	$50,638	$41,342	$34,605	$29,069
Surface water fees	$237,480	$165,486	$114,290	$80,907	$54,413
Repairs and maintenance	$359,402	$260,445	$160,632	$187,567	$122,934
Other operating expenditures	$98,151	$113,433	$116,655	$84,130	$62,079
Operating leases	$0	$0	$0	$0	$90,000
Garbage disposal	$204,672	$152,688	$101,869	$44,040	$35,672
Administrative expenditures	$57,537	$57,649	$48,806	$42,776	$42,760
Capital Outlay	$51,575	$791,842	$176,646	$101,156	$86,712
Debt service principal and interest	$102,000	$17,000	$0	$0	$103,687
TOTAL EXPENDITURES	**$1,404,574**	**$1,788,180**	**$920,716**	**$752,414**	**$793,721**
EXCESS REVENUES (EXPENDITURES) (a)	**$1,355,030**	**$372,903**	**$893,853**	**$396,685**	**$21,120**

(a) In fiscal year 2020, the District received developer advances of $21,779. In fiscal year 2019 the District received developer advances of $7,455.

As of March 4, 2024, the District's General Fund had an unaudited cash and temporary investment balance of approximately $5,542,257. For the fiscal year ending April 30, 2024, the District is budgeting general fund revenues of $3,315,262 and general fund operating expenditures of $1,736,375,870 plus potential capital expenditures of $650,000. For the fiscal year ending April 30, 2025, the District is budgeting general fund revenues of $3,375,115 and general fund operating expenditures of $1,435,362. Additionally, the District is currently budgeting 2025 capital outlays of $1,048,740.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

3/1/2024 Estimated Taxable Value	$209,216,103	(a)
2023 Certified Taxable Value	$201,180,879	(b)
Direct Debt		
Outstanding Bonds (as of April 1, 2024)	$14,670,000	
The Bonds	$5,800,000	
Total Direct Debt	$20,470,000	
Estimated Overlapping Debt	$20,034,614	
Direct and Estimated Overlapping Debt	$40,504,614	
Percentage of Direct Debt to:		
3/1/2024 Estimated Taxable Value	9.78%	
2023 Certified Taxable Value	10.17%	
Percentage of Direct and Estimated Overlapping Debt to:		
3/1/2024 Estimated Taxable Value	19.36%	
2023 Certified Taxable Value	20.13%	
2023 Tax Rate Per $100 of Assessed Value		
Debt Service Tax	$0.31	
Maintenance Tax	$0.99	
Total 2023 Tax Rate	$1.30	

(a) Reflects data supplied by MCAD. The Estimated Taxable Value as of March 1, 2024, was prepared by MCAD and provided to the District. Such values are not binding on MCAD. The new values (subsequent to January 1, 2024) will not be included on the District's tax roll until the 2025 tax roll is prepared and certified by MCAD during the second half of 2025. See "TAX DATA" and "TAXING PROCEDURES."

(b) The 2023 Certified Taxable Value was prepared by MCAD. See "TAX DATA."

Investments of the District

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

Debt Service Requirements

The following sets forth the debt service on the District's Outstanding Bonds and the Bonds.

Year	Outstanding Debt	Series 2024 Bonds Principal	Series 2024 Bonds Interest*	Total Debt Service*
2024	$689,131	-	$96,667	$785,798
2025	$747,420	-	$290,000	$1,037,420
2026	$849,705	-	$290,000	$1,139,705
2027	$867,849	$125,000	$286,875	$1,279,724
2028	$874,834	$150,000	$280,000	$1,304,834
2029	$856,240	$150,000	$272,500	$1,278,740
2030	$862,458	$150,000	$265,000	$1,277,458
2031	$893,974	$150,000	$257,500	$1,301,474
2032	$875,974	$175,000	$249,375	$1,300,349
2033	$883,099	$175,000	$240,625	$1,298,724
2034	$865,927	$200,000	$231,250	$1,297,177
2035	$849,208	$200,000	$221,250	$1,270,458
2036	$906,224	$200,000	$211,250	$1,317,474
2037	$911,552	$200,000	$201,250	$1,312,802
2038	$891,270	$225,000	$190,625	$1,306,895
2039	$920,005	$225,000	$179,375	$1,324,380
2040	$897,692	$250,000	$167,500	$1,315,192
2041	$875,145	$250,000	$155,000	$1,280,145
2042	$901,551	$275,000	$141,875	$1,318,426
2043	$877,333	$275,000	$128,125	$1,280,458
2044	$902,506	$300,000	$113,750	$1,316,256
2045	$901,240	$300,000	$98,750	$1,299,990
2046	$899,021	$325,000	$83,125	$1,307,146
2047	$951,252	$350,000	$66,250	$1,367,502
2048	$599,233	$375,000	$48,125	$1,022,358
2049	$583,077	$375,000	$29,375	$987,452
2050		$400,000	$10,000	$410,000
	$22,132,918	**$5,800,000**	**$4,805,417**	**$32,738,335**

Tax Adequacy for Debt Service

The calculations shown below are solely for the purpose of illustration, reflect no net General Fund revenues, no transfers of surplus funds from the District's General Fund to the Debt Service Fund and no increase or decrease in assessed valuation over the 3/1/2024 Estimated Taxable Value, and the 2023 Certified Taxable Value. The calculations utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2047)........ $1,367,502*

Requires a $0.69 debt service tax rate on the 3/1/2024 Estimated Taxable Value of $209,216,103 @ 95% collection........ $1,371,412*

Requires a $0.72 debt service tax rate on the 2023 Certified Taxable Value of $201,180,879 @ 95% collections........ $1,376,077*

*Preliminary, subject to change

Estimated Overlapping Debt

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

Taxing Entity	Outstanding Debt	Estimated Overlapping Percent	Estimated Overlapping Amount
New Caney Independent School District	$721,860,000	2.60%	$18,787,541
Montgomery County	$417,980,000	0.21%	$894,243
Lone Star College System	$542,435,000	0.07%	$352,830
Total Estimated Overlapping Debt			**$20,034,614**
The District (a)			$20,470,000
Total Direct & Estimated Overlapping Debt			**$40,504,614**

(a) Includes the Bonds.

Overlapping Taxes

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

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

Taxing Jurisdictions	2023 Tax Rate
New Caney Independent School District	$1.25750
Montgomery County	$0.36960
Montgomery County Hospital District	$0.04980
Lone Star College System	$0.10760
Montgomery County Emergency Service District No. 6	$0.09340
Overlapping Taxes	**$1.87790**
The District	$1.30000
Total Direct & Overlapping Taxes	**$3.17790**

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. See "Tax Rate Distribution" and "Tax Roll Information" below, and "TAXING PROCEDURES" and "RISK FACTORS—Economic Factors and Interest Rates."

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, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was held on November 7, 2006, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 of taxable assessed valuation for general operations and maintenance costs. 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.

Tax Exemptions

For the tax year 2024, the District did not adopt a general residential homestead exemption, a residential homestead exemption for persons 65 years of age or older, or an exemption for individuals who are under a disability for purposes of payment of disability insurance under the Federal Old-Age Survivors and Disability Insurance Act. See "TAXING PROCEDURES—Property Subject to Taxation by the District."

Tax Rate Distribution

	2023	2022	2021	2020	2019
Debt Service	$0.31	$0.41	$0.42	$0.19	$0.19
Maintenance/Operations	$0.99	$1.01	$1.06	$1.29	$1.29
Total	**$1.30**	**$1.42**	**$1.48**	**$1.48**	**$1.48**

Historical Tax Collections

The following represents the collection history of District taxes; the collections represent cumulative collections for each year's tax levy through March 31, 2024. According to the District's Tax Assessor/Collector, the District's current tax collections for the tax years 2019 through 2023 averaged more than 97%.

Tax Year	Taxable Valuation	Tax Rate	Total Tax Levy	Cumulative Amount	Collections Percent (a)	Year Ended September 30
2023	$201,180,879	$1.30	$2,615,351	$2,552,470	98%	2024
2022	$168,048,758	$1.42	$2,386,292	$2,381,261	100%	2023
2021	$105,023,801	$1.48	$1,554,352	$1,554,352	100%	2022
2020	$65,987,807	$1.48	$976,620	$976,620	100%	2021
2019	$42,648,118	$1.48	$631,192	$631,192	100%	2020

(a) Current tax collections have exceeded 97% each year for the past four years. The figures above reflect unaudited tax collection data.

Tax Roll Information

The District's taxable assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2019 through 2023 Taxable Valuations.

Year	Land	Improvements	Personal Property	Gross Valuations	Exemptions	Taxable Valuations	
2023	$39,811,750	$187,279,750	$355,475	$227,446,975	$26,266,096	$201,180,879	(a)
2022	$39,091,670	$154,746,370	$439,474	$194,277,514	$26,228,756	$168,048,758	
2021	$27,261,460	$92,092,230	$465,280	$119,818,970	$14,795,169	$105,023,801	
2020	$17,978,920	$60,976,350	$406,807	$79,362,077	$13,374,270	$65,987,807	
2019	$12,201,530	$42,731,960	$516,884	$55,450,374	$12,802,256	$42,648,118	

(a) The 2023 Certified Taxable Value was prepared by MCAD. See "TAX DATA."

Principal Taxpayers

The following table represents the principal taxpayers, the taxable value of such property, and such taxable value as a percentage of the 2023 Taxable Valuation. The table below reflects the ownership of property as of January 1, 2023.

Property Owner	Property Description	Value	% of Total
SED Texas Home LLC	Lots/Houses	$7,766,580	3.86%
AHR Texas Three LLC	Lots/Houses	$4,971,730	2.47%
KLMH Living Trust	Lots/Houses	$1,032,580	0.51%
Homeowner	Lots/Houses	$579,940	0.29%
Charena Properties LLC	Lots/Houses	$500,000	0.25%
AC1 Fund LLC	Lots/Houses	$499,230	0.25%
Homeowner	Lots/Houses	$491,000	0.24%
FKH SFR Propco I LP	Lots/Houses	$490,670	0.24%
Kotravo Properties Investments LLC-Series NorthPark	Lots/Houses	$487,100	0.24%
AHR Texas Two LLC	Lots/Houses	$464,450	0.23%
TOTAL		**$17,283,280**	**8.59%**

TAXING PROCEDURES

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 and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories and the property of privately-owned utilities. Principal categories of exempt property include: 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; farm products owned by the producer; all oil, gas and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; 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 or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition by at least twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2024 tax year, the District has not granted any such exemptions. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence 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 (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of a member of the armed forces or, a first responder (as defined under Texas law) who was (i) killed in action or (ii) 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.

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 is 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. 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 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 Exemption Provided to Public Facility Corporations and Certain Lessees

Chapter 303 of the Texas Local Government Code (the “PFC Act”) authorizes cities, counties, school districts, housing authorities and special districts (a “Sponsor”) to create a sponsored Public Facility Corporation (“PFC”) to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a “public facility” includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities. Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. The 88th Texas Legislature passed H.B. 2071, which became effective June 19, 2023, to amend the PFC Act. H.B. 2071 significantly revised the PFC Act’s requirements for the lessee of a multifamily residential development to qualify for this exemption and provides that the exemption for such projects does not apply to taxes imposed by a conservation and reclamation district providing water, sewer or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H. B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

General Residential Homestead Exemption

Texas law 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, but not less than $5,000, if any exemption is granted, from ad valorem taxation. The law provides, however, that 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. For the 2024 tax year, the District has not granted a general residential homestead exemption.

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. Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements to the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a 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.

Agricultural, Open Space, Timberland, and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture 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. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the 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 for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land. According to the District's Tax Assessor/Collector, as of January 1, 2023, approximately 55 acres of land within the District is designated for agricultural use (including wildlife management), open space, or timberland; such land had a taxable value of $6,970 (such land has since been sold to Century Communities, and 30 acres of which is currently under development.)

Tax Abatement

The City of Houston and Montgomery County may designate all or part of the District as a reinvestment zone, and the District, Montgomery County, and the City of Houston (if it were to annex the area) may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

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 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 "Low Tax Rate Districts." 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 a rollback election held within any of the districts described below. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate.

Low Tax Rate Districts

Low Tax Rate Districts 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 in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Low Tax Rate District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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 in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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 Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property against which the tax is levied. In addition, on January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) – Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. Further, personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalties, 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 – Tax Collection Limitations and Foreclosure Remedies."

RISK FACTORS

General

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

Inclement Weather

The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

Hurricane Harvey

The Houston area, including Montgomery County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 90 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. According to the District's Operator, the District's System did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, according to the District's Engineer, no homes within the District experienced flooding or other material damage as a result of Hurricane Harvey.

Specific Flood Type Risks

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

River (or Fluvial) Flooding – River flooding occurs when water levels rise over the top of a 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 sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam, levee or reservoir also could potentially create a flooding condition in rivers, bayous, or man-made drainage systems (canals or channels) downstream.

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, undeveloped land and developed lots. The market value of such homes, lots and undeveloped land is related to general economic conditions affecting the demand for residences. Demand for lots and undeveloped land of this type and the construction of residential improvements thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability, 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 “Credit Markets and Liquidity in the Financial Markets” below and “THE DISTRICT - Current Status of Residential Development.”

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 22 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the City and the nation could adversely affect development and building plans in the District and restrain the growth or reduce the value of the District’s property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 22 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the northwestern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the builders 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 and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Taxable Assessed Valuation is $201,180,879 and the Estimated Taxable Assessed Valuation as of 3/1/2024, is $209,216,103. After issuance of the Bonds, the maximum annual debt service requirement will be $1,367,502 (2047). Assuming no increase or decrease from the 2023 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rate of $0.72 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement. Assuming no increase or decrease from the 3/1/2024 Estimated Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rate of $0.69 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) — Debt Service Requirements.”

Tax Collections Limitations and Foreclosure Remedies

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or

(c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes, that have already been paid.

Undeveloped Acreage

There are approximately 21 acres of undeveloped but developable land within the District as of March 1, 2024. The District makes no representation as to when or if development of this acreage will occur. Failure of the Developers to develop the developable land or of builders to construct taxable improvements on developed lots could restrict the rate of growth of taxable values in the District. See "THE DISTRICT—Land Use."

Registered Owners' Remedies

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 observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek 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.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating 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. A total of $55,000,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for acquiring or constructing water, sanitary sewer, and drainage facilities, and, after the issuance of the Series 2024 Bonds, $34,300,000 in principal amount of said unlimited tax bonds will remain authorized but unissued. Voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of the Bonds.

The District intends to issue additional bonds in the future in order to reimburse the Developers for all or a portion of the water, sanitary sewer, and drainage facilities constructed or under construction to the remainder of undeveloped but developable land in the District, pursuant to the terms of each Developer's utility development agreement with the District. Generally, the utility development agreements with the District provide that each developer will be reimbursed based upon the taxable value created by each developer's project in the District. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. 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 is subject to (among other requirements) the approval of the TCEQ and its rules regarding the issuance of bonds. See "Overlapping Debt and Taxes" in this section and "THE BONDS - Issuance of Additional Debt" and "- Financing of Recreational Facilities."

Marketability of the Bonds

Subject to certain limitations described further in the Notice of Sale, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds 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 more generally bought, sold or traded in the secondary market.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

The District's stormwater discharges currently maintain permit coverage through the Municipal Separate Storm System Permit (the "Current Permit") issued to the Storm Water Management Joint Task Force consisting of Harris County, Harris County Flood Control District, the City of Houston, and the Texas Department of Transportation. In the event that at any time in the future the District is not included in the Current Permit, it may be required to seek independent coverage under the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. If the District's inclusion in the MS4 Permit were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

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 legislation, administrative action, or court decision could limit for certain individual taxpayers 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.

Continuing Compliance with Certain Covenants

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Schwartz, Page & Harding, L.L.P., Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "Tax Exemption" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District. Bond Counsel's opinion will also address the matters described below.

In addition to serving as Bond Counsel, Schwartz, Page & Harding, L.L.P., also serves 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. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

Legal Review

In its capacity as Bond Counsel, Schwartz, Page & Harding, L.L.P., has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "THE BONDS," "THE DISTRICT – General," "MANAGEMENT OF THE DISTRICT – Bond Counsel and General Counsel," "TAXING PROCEDURES," and "LEGAL MATTERS," solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firm has not independently verified factual information contained in this OFFICIAL STATEMENT, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

Tax Exemption

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds", the interest on which would be included as an alternative minimum tax preference item under Section 57 (a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon, and assume continuing compliance with, (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate issued in connection with the Bonds, and (b) covenants of the District contained in the Bond Order relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law, upon which Bond Counsel has based its opinion, is subject to change by Congress, administrative interpretation by the Department of the Treasury and to subsequent judicial interpretation. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of ownership of the Bonds.

Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law which is subject to change or modification retroactively.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, including financial institutions, life insurance and property and casualty insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and individuals allowed an earned income credit. THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIFIC 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.

Interest on the Bonds may be includable in certain corporations "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrued period or be in excess of one year (the "Original Issue Discount Bonds"). The difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. ALL OWNERS OF ORIGINAL ISSUE DISCOUNT BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE DETERMINATION FOR FEDERAL, STATE AND LOCAL INCOME TAX PURPOSES OF INTEREST ACCRUED UPON REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS AND WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, REDEMPTION, SALE OR OTHER DISPOSITION OF SUCH ORIGINAL ISSUE DISCOUNT BONDS.

The initial public offering price to be paid for certain maturities of the Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). 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. 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 PREMIUM BONDS FOR FEDERAL INCOME TAX PURPOSES AND WITH RESPECT TO THE STATE AND LOCAL TAX CONSEQUENCES OF OWNING PREMIUM BONDS.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take and pay for the Bonds, and 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 the sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

NO MUNICIPAL BOND RATING

The District has not made an application for an underlying rating on the Bonds to any municipal bond rating service.

BOND INSURANCE

The District has applied to Assured Guaranty Municipal Corp. ("AGM") and Build America Mutual Assurance Company ("BAM") for qualification of the Bonds for bond insurance. Potential purchasers may bid for the Bonds with or without bond insurance. If the Underwriter bids the Bonds with bond insurance, the cost of the bond insurance premium must be paid for by the Underwriter. If the Underwriter purchases the Bonds with bond insurance and, subsequent to the sale date and prior to the closing date, the bond insurer's credit rating is downgraded then the Underwriter is still obligated to accept delivery of the Bonds. Information relative to the cost of the insurance premium will be available from AGM or BAM on the day of the sale.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District to such effect. 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

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

Consultants

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

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by R. G. Miller Engineers, Inc., and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The financial statements of the District as of April 30, 2023, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Updating the Official Statement

If subsequent to the date of the OFFICIAL STATEMENT, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter, provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notify 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to an ultimate customer.

Certification of Official Statement

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

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

Annual Reports

The District will provide annually to the MSRB certain updated financial information and operating data which is customarily prepared by the District and is publicly available. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the heading in "FINANCIAL INFORMATION CONCERNING THE DISTRICT" (except for "– Estimated Overlapping Debt") and "APPENDIX A" (Independent Auditor's Report and Financial Statements and supplemental schedules). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2024.

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 the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements by the required time, and 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 Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Specified Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, 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 or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "financial obligation," when used in this paragraph, shall mean 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) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to 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 it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax and net system revenues) to secure payment of the Bonds, or appointment of a trustee. 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 without charge through an 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 Owners 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 holders and beneficial owners of the Bonds. The District may amend or repeal the agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The Bonds are the fifth issuance of bonds by the District. The District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12, except the event notice relating to the modification of the terms of a financial obligation in connection with an amendment to the District's lease agreement on December 15, 2020 was not timely filed. The District subsequently made such filing on May 1, 2023.

MISCELLANEOUS

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

/s/ ________________________
President, Board of Directors

ATTEST:

/s/ ________________________
Secretary, Board of Directors

<u>**AERIAL LOCATION MAP**</u>


Montgomery County Municipal
Utility District No. 96
N
Sorters Rd.
North Park Dr.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

The information contained in this appendix includes the audited financial statements of Montgomery County Municipal Utility District No. 96 and certain supplemental information for the fiscal year ended April 30, 2023.

MONTGOMERY COUNTY

MUNICIPAL UTILITY DISTRICT NO. 96

MONTGOMERY COUNTY, TEXAS

ANNUAL AUDIT REPORT

APRIL 30, 2023

C O N T E N T S

Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

September 7, 2023

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal
Utility District No. 96
Montgomery County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montgomery County Municipal Utility District No. 96 as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise Montgomery County Municipal Utility District No. 96's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montgomery County Municipal Utility District No. 96, as of April 30, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Montgomery County Municipal Utility District No. 96, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Montgomery County Municipal Utility District No. 96'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.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Montgomery County Municipal Utility District No. 96's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County Municipal Utility District No. 96's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County Municipal Utility District No. 96's basic financial statements. The supplementary information on Pages 24 to 41 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Montgomery County Municipal Utility District No. 96 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2023.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's' activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	2023	2022	Change
Current and other assets	$ 5,584,902	$ 4,015,204	$ 1,569,698
Capital assets	23,874,625	23,684,166	190,459
Total assets	29,459,527	27,699,370	1,760,157
Long-term liabilities	25,470,569	27,527,271	(2,056,702)
Other liabilities	2,602,433	375,044	2,227,389
Total liabilities	28,073,002	27,902,315	170,687
Net position:			
Invested in capital assets, net of related debt	(225,187)	(2,470,531)	2,245,344
Restricted	932,092	1,107,377	(175,285)
Unrestricted	679,620	1,160,209	(480,589)
Total net position	$ 1,386,525	$ (202,945)	$ 1,589,470

Summary of Changes in Net Position

	2023	2022	Change
Revenues:			
Property taxes, including related penalty and interest	$ 2,437,628	$ 1,596,049	$ 841,579
Charges for services	947,912	1,010,874	(62,962)
Other revenues	127,664	3,538	124,126
Total revenues	3,513,204	2,610,461	902,743
Expenses:			
Service operations	1,467,301	1,253,062	214,239
Debt service	456,433	638,550	(182,117)
Total expenses	1,923,734	1,891,612	32,122
Change in net position	1,589,470	718,849	870,621
Net position, beginning of year	(202,945)	(921,794)	718,849
Net position, end of year	$ 1,386,525	$ (202,945)	$ 1,589,470

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended April 30, 2023 were $5,082,335, an increase of $1,301,317 from the prior year.

The General Fund balance increased by $1,451,010, in accordance with the District's financial plan.

The Debt Service Fund balance increased by $246,167, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by $395,860, as authorized expenditures exceeded proceeds from the District's Series 2022 bond anticipation note and interest earnings on deposits and investments.

General Fund Budgetary Highlights

The Board of Directors amended the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated an increase in the fund balance during the year of $1,101,251. During the fiscal year, the Board of Directors adopted an amended budget which anticipated an increase in the fund balance during the year of $1,874,373. The change from the original budget to the final budget was due to an increase in anticipated property tax revenues and the reimbursement from the Capital Projects Fund.

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 23 of this report. The budgetary fund balance as of April 30, 2023 was expected to be $4,445,886 and the actual end of year fund balance was $4,022,523.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	Capital Assets (Net of Accumulated Depreciation)		
	2023	2022	Change
Land	$ 1,744,983	$ 1,744,983	$ 0
Detention ponds	1,428,440	1,428,440	0
Construction in progress	15,120,992	14,970,811	150,181
Water facilities	1,686,902	1,754,215	(67,313)
Sewer facilities	3,803,907	3,694,237	109,670
Drainage facilities	89,401	91,480	(2,079)
Totals	$ 23,874,625	$ 23,684,166	$ 190,459

Changes to capital assets during the fiscal year ended April 30, 2023, are summarized as follows:

Additions:	
Sewer system improvements	$ 339,516
Water system improvements	30,281
Total additions to capital assets	369,797
Decreases:	
Depreciation	(179,338)
Net change to capital assets	$ 190,459

Debt

Changes in the bonded debt position of the District during the fiscal year ended April 30, 2023, are summarized as follows:

Bonded debt payable, beginning of year	$ 11,000,000
Bonds paid	(100,000)
Bonded debt payable, end of year	$ 10,900,000

At April 30, 2023, the District had $44,000,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District issued its Series 2022 Bond Anticipation Note (the “BAN”) in the amount of $1,950,000 on October 7, 2022. The BAN bears interest at a rate of 4.27% per annum and is payable before October 6, 2023. The outstanding BAN was $1,950,000 at April 30, 2023. The BAN was repaid from the proceeds of the District’s $3,900,000 Series 2023 unlimited tax bonds on June 8, 2023.

The District’s bonds do not have an underlying rating. The Series 2020 and 2022 bonds are insured by Build America Mutual Assurance Company. The insured rating of the Series 2020 and 2022 bonds is AA by Standard & Poor’s. The Series 2019 bonds are not rated or insured. There were no changes in the bond ratings during the fiscal year ended April 30, 2023.

As further described in Note 5 of the notes to the financial statements, developers within the District have advanced funds to the District to cover initial operating deficits. As of April 30, 2023, the cumulative amount of developer advances for this purpose was $1,425,083.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At April 30, 2023, the estimated amount due to the developers was $12,984,104.

As further described in Note 10 of the notes to the financial statements, the District entered into an Lease Agreement with Option to Purchase (the “Lease”), dated November 15, 2015, to facilitate the construction of Phase 1 and Phase 2 of a wastewater treatment plant (“WWTP”) for the District. Phase 1 was completed in December 2018. The Lease was amended December 15, 2020 for the Phase 2 expansion of the WWTP. At April 30, 2023, the unpaid principal payable amount of this agreement was $563,364.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District’s tax base increased by approximately $63,810,000 for the 2022 tax year (approximately 61%), primarily due to the addition of new houses to the tax base.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston. If the District is annexed, the City will assume the District’s assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

The District is authorized to enter into a strategic partnership agreement with the City of Houston to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District would be annexed for limited purposes by the City. The terms of any such agreement would be determined by the City and the District.

The District is not aware of any plans regarding annexation or a strategic partnership with the City of Houston.

Water Supply Issues

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an elected seven member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of April 30, 2023, the LSGCD had established a regulatory water use fee of $0.085 per 1,000 gallons of water pumped from each regulated well.

The San Jacinto River Authority (SJRA) is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of a series of acts compiled as Vernon's Annotated Texas Civil Statutes, Article 8280-121, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, whose area comprises all of the territory within the watershed of the San Jacinto River and its tributaries, except that portion of the watershed lying within the boundaries of Harris County. Such area consists of all of Montgomery County and parts of Waller, Grimes, Walker, San Jacinto, Liberty, and Fort Bend counties.

The LSGCD established a regulatory target in its District Regulatory Plan (DRP) Phase I to reduce groundwater withdrawals from the aquifer in Montgomery County to 64,000 acre-feet per year by January 2016. The LSGCD District Regulatory Plan (DRP) Phase II (A) required large volume groundwater users (LVGU) to submit a Water Resource Assessment Plan (WRAP), which included identification of new water supply sources to meet projected water demands by March of 2009. SJRA prepared and submitted a joint plan on behalf of 201 large volume groundwater users to reduce groundwater withdrawal and encourage the conjunctive use of surface water with ground water supplies to meet the LSGCD regulations. In November 2009, the LSGCD adopted final regulations that require certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how the user intends to meet a 2016 deadline for conversion to surface water supplies. The SJRA responded to this regulatory requirement with the development of a long-term countywide approach that will provide a compliance solution for all users in the county who choose to join. Any large volume groundwater user in the county may join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The District has executed a GRP Contract with the SJRA. At April 30, 2023, the GRP Pumpage Fee was $2.99 per thousand gallons of groundwater pumped, and is expected to increase in the future. The surface water usage fee was equal to $3.41 per thousand gallons of surface water received, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authorities for future years, but anticipates that it will pass such fees through to its customers. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2023

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$ 209,259	$ 71,219	$ 420	$ 280,898	$	$ 280,898
Temporary investments, at cost, Note 7	3,917,401	775,323	378,373	5,071,097		5,071,097
Receivables:						
Property taxes	28,405	11,526		39,931		39,931
Accrued penalty and interest on property taxes				0	3,775	3,775
Service accounts	104,395			104,395		104,395
Prepaid lease, Note 10	8,500			8,500		8,500
Prepaid bond expenses	76,306			76,306		76,306
Due from other fund		2,502		2,502	(2,502)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	18,294,415	18,294,415
Depreciable capital assets				0	5,580,210	5,580,210
Total assets	$4,344,266	$ 860,570	$ 378,793	$ 5,583,629	23,875,898	29,459,527
LIABILITIES						
Accounts payable	$ 212,811	$ 4,545	$ 5,956	$ 223,312		223,312
Construction contracts payable			157,524	157,524		157,524
Accrued interest payable				0	27,596	27,596
Customer and builder deposits	78,025			78,025		78,025
Due to other fund	2,502			2,502	(2,502)	0
Long-term liabilities, Note 5:						
Due within one year				0	2,115,976	2,115,976
Due in more than one year				0	25,470,569	25,470,569
Total liabilities	293,338	4,545	163,480	461,363	27,611,639	28,073,002
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	28,405	11,526	0	39,931	(39,931)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Committed to construction contracts in process			111,650	111,650	(111,650)	0
Assigned to:						
Debt service		844,499		844,499	(844,499)	0
Capital projects			103,663	103,663	(103,663)	0
Unassigned	4,022,523			4,022,523	(4,022,523)	0
Total fund balances	4,022,523	844,499	215,313	5,082,335	(5,082,335)	0
Total liabilities, deferred inflows, and fund balances	$4,344,266	$ 860,570	$ 378,793	$ 5,583,629		
Net position:						
Invested in capital assets, net of related debt, Note 4					(225,187)	(225,187)
Restricted for debt service					828,429	828,429
Restricted for capital projects					103,663	103,663
Unrestricted, Note 5					679,620	679,620
Total net position					$ 1,386,525	$ 1,386,525

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

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED APRIL 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 1,689,279	$ 685,343	$	$ 2,374,622	$ 23,218	$ 2,397,840
Water service	298,373			298,373		298,373
Sewer service	421,750			421,750		421,750
Surface water fees, Note 9	219,501			219,501		219,501
Penalty and interest	23,358	7,125		30,483	2,180	32,663
Tap connection and sewer inspection fees	2,908			2,908		2,908
Interest on deposits	91,930	22,176	13,558	127,664		127,664
Other	12,505			12,505		12,505
Total revenues	2,759,604	714,644	13,558	3,487,806	25,398	3,513,204
EXPENDITURES / EXPENSES						
Administrative expenditures:						
Professional fees	118,517	2,190	2,993	123,700		123,700
Contracted services	103,949	25,816	550	130,315		130,315
Utilities	71,291			71,291		71,291
Surface water fees, Note 9	237,480			237,480		237,480
Repairs and maintenance	359,402			359,402		359,402
Other operating expenditures	98,151			98,151		98,151
Garbage disposal	204,672			204,672		204,672
Administrative expenditures	57,537	3,402		60,939		60,939
Depreciation				0	179,338	179,338
Capital outlay / non-capital outlay	51,575		2,210,961	2,262,536	(2,260,523)	2,013
Debt service:						
Principal retirement	48,055	100,000		148,055	(148,055)	0
Bond anticipation note issuance costs			48,934	48,934		48,934
Interest	53,945	337,069		391,014	16,485	407,499
Total expenditures / expenses	1,404,574	468,477	2,263,438	4,136,489	(2,212,755)	1,923,734
Excess (deficiency) of revenues over expenditures	1,355,030	246,167	(2,249,880)	(648,683)	2,238,153	1,589,470
OTHER FINANCING SOURCES (USES)						
Bond anticipation note issued, Note 5			1,950,000	1,950,000	(1,950,000)	0
Reimbursement to (from) other fund, Note 7	95,980		(95,980)	0	0	0
Total other financing sources (uses)	95,980	0	1,854,020	1,950,000	(1,950,000)	0
Net change in fund balances / net position	1,451,010	246,167	(395,860)	1,301,317	288,153	1,589,470
Beginning of year	2,571,513	598,332	611,173	3,781,018	(3,983,963)	(202,945)
End of year	$ 4,022,523	$ 844,499	$ 215,313	$ 5,082,335	$ (3,695,810)	$ 1,386,525

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2023

NOTE 1: REPORTING ENTITY

Montgomery County Municipal Utility District No. 96 (the "District") was created by an order of the Texas Commission on Environmental Quality effective August 21, 2006, under Article XVI, Section 59, of the Texas Constitution, and operates pursuant to and in accordance with Texas Water Code Chapters 49 and 54 and other laws of the State of Texas applicable to municipal utility districts. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on August 28, 2006. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services and construct and maintain recreational facilities. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position are reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred revenues. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 5,082,335
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		23,874,625
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$ (10,900,000)	
Issuance discount (to be amortized as interest expense)	236,006	
Bond anticipation note payable	(1,950,000)	
Lease-purchase agreement	(563,364)	
Due to developers for operating advances	(1,425,083)	
Due to developers for construction	(12,984,104)	(27,586,545)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	3,775	
Uncollected property taxes	39,931	43,706
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(27,596)
Net position, end of year		$ 1,386,525

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		$ 1,301,317
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 2,260,523	
Depreciation	(179,338)	2,081,185
The issuance of long-term debt provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bond anticipation note issued	(1,950,000)	
Principal reduction	100,000	
Principal reduction, lease-purchase	48,055	(1,801,945)
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Issuance discount		(16,777)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	2,180	
Uncollected property taxes	23,218	25,398
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		292
Change in net position		$ 1,589,470

NOTE 4: CAPITAL ASSETS

At April 30, 2023, “Invested in capital assets, net of related debt” was $(225,187). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of $5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The District records the cost of capital assets as construction in progress until such time as the construction is completed and the developers who funded the construction are reimbursed. Capital asset activity for the fiscal year ended April 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,744,983	$	$	$ 1,744,983
Detention ponds	1,428,440			1,428,440
Construction in progress	14,970,811	369,797	219,616	15,120,992
Total capital assets not being depreciated	18,144,234	369,797	219,616	18,294,415
Depreciable capital assets:				
Water system	2,071,780			2,071,780
Sewer system	3,936,803	219,616		4,156,419
Drainage system	93,559			93,559
Total depreciable capital assets	6,102,142	219,616	0	6,321,758
Less accumulated depreciation for:				
Water system	(317,565)	(67,313)		(384,878)
Sewer system	(242,566)	(109,946)		(352,512)
Drainage system	(2,079)	(2,079)		(4,158)
Total accumulated depreciation	(562,210)	(179,338)	0	(741,548)
Total depreciable capital assets, net	5,539,932	40,278	0	5,580,210
Total capital assets, net	$ 23,684,166	$ 410,075	$ 219,616	$ 23,874,625
Changes to capital assets:				
Capital outlay		$ 2,260,523	$	
Assets transferred to depreciable assets		219,616	219,616	
Capital outlay paid (decrease in liability) to developers		(1,890,726)		
Less depreciation expense for the fiscal year		(179,338)		
Net increases / decreases to capital assets		$ 410,075	$ 219,616	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 11,000,000	$	$ 100,000	$ 10,900,000	$ 130,000
Add (less) deferred amounts:					
For issuance (discounts) premiums	(252,783)		(16,777)	(236,006)	(16,664)
Total bonds payable	10,747,217	0	83,223	10,663,994	113,336
Due to developers for operating advances (see below)	1,425,083			1,425,083	-----------
Due to developers for construction (see below)	14,874,830		1,890,726	12,984,104	-----------
Total due to developers	16,299,913	0	1,890,726	14,409,187	0
Bond anticipation note payable	0	1,950,000		1,950,000	1,950,000
Lease-purchase agreement, Note 10	611,419		48,055	563,364	52,640
Total long-term liabilities	$ 27,658,549	$ 1,950,000	$ 2,022,004	$ 27,586,545	$ 2,115,976

The District issued its Series 2022 Bond Anticipation Note (the “BAN”) in the amount of $1,950,000 on October 7, 2022. The BAN bears interest at a rate of 4.27% per annum and is payable before October 6, 2023. The outstanding BAN was $1,950,000 at April 30, 2023. The BAN was repaid from the proceeds of the District’s $3,900,000 Series 2023 unlimited tax bonds on June 8, 2023.

Water, sewer and drainage bonds voted	$ 55,000,000
Water, sewer and drainage bonds approved for sale and sold	11,000,000
Water, sewer and drainage bonds voted and not issued	44,000,000
Refunding bonds voted	$ 55,000,000
Refunding bonds approved for sale and sold	0
Refunding bonds voted and not issued	55,000,000

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The bond issues payable at April 30, 2023, were as follows:

	Series 2019	Series 2020	Series 2022
Amounts outstanding, April 30, 2023	$5,130,000	$2,230,000	$3,540,000
Interest rates	3.00% to 3.50%	2.00% to 4.625%	1.25% to 4.125%
Maturity dates, serially beginning/ending	April 1, 2024/2047	April 1, 2024/2049	April 1, 2025/2049
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	April 1, 2025*	April 1, 2025*	April 1, 2029*

*Or any date thereafter at par plus accrued interest to the date of redemption, in whole or in part at the option of the District.

In accordance with the Series 2022 Bond Order, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond interest reserve, beginning of year	$ 78,769
Deduct appropriation for bond interest paid: Series 2022	(78,769)
Bond interest reserve, end of year	$ 0

Developer Construction Commitments, Liabilities and Advances

Developers within the District are constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at April 30, 2023, was $12,984,104. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

Developers within the District have advanced funds to the District to cover initial operating deficits. At April 30, 2023, the cumulative amount of unreimbursed developer advances was $1,425,083. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in “Unrestricted net position” in the government-wide financial statements. Without this decrease, “Unrestricted net position” would have a balance of $2,104,703.

NOTE 6: PROPERTY TAXES

The Montgomery County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held November 7, 2006, the voters within the District authorized a maintenance tax not to exceed $1.50 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 3, 2022, the District levied the following ad valorem taxes for the 2022 tax year on the adjusted taxable valuation of $168,956,508:

	Rate	Amount
Debt service	$ 0.4100	$ 692,722
Maintenance	1.0100	1,706,461
	$ 1.4200	$ 2,399,183

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2022 tax year total property tax levy	$ 2,399,183
Appraisal district adjustments to prior year taxes	(1,343)
Statement of Activities property tax revenues	$ 2,397,840

NOTE 7: DEPOSITS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and an authorized private sector investment pool (Texas CLASS). The private sector investment pool is rated AAAm by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in the authorized private sector investment pool was $5,071,097.

Deposits and temporary investments restricted by state statutes and the Bond Orders:

Debt Service Fund

For payment of debt principal and interest, paying agent fees and costs of assessing and collecting taxes:

Cash	$ 71,219
Temporary investments	775,323
	$ 846,542

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Projects Fund

For construction of capital assets:

Cash	$ 420
Temporary investments	378,373
	$ 378,793

During the fiscal year ended April 30, 2023, the District reimbursed the General Fund $95,980 from the Capital Projects Fund in accordance with the rules of the Texas Commission on Environmental Quality.

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At April 30, 2023, the District had physical damage and boiler and machinery coverage of $6,550,000, comprehensive general liability and pollution coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate, umbrella liability coverage of $1,000,000, consultant’s crime coverage of $10,000 and a tax assessor-collector bond of $10,000.

NOTE 9: GROUNDWATER CONSERVATION DISTRICT

The District is within the boundaries of the Lone Star Groundwater Conservation District ("LSGCD"). The LSGCD was created by the Legislature of the State of Texas in Acts 2001, 77th Legislature, Regular Session. The LSGCD is a political subdivision of the State of Texas, governed by an elected seven member board of directors. The purpose of the LSGCD is to provide for the conservation, preservation, protection, recharging, and prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and the control of subsidence caused by the withdrawal of water from those groundwater reservoirs or their subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution. Rule 8.1 of the rules of the LSGCD authorizes the board of directors of the LSGCD to establish by resolution a regulatory water use fee to accomplish the purposes of the LSGCD. In accordance with this rule, as of April 30, 2023, the LSGCD had established a regulatory water use fee of $0.085 per 1,000 gallons of water pumped from each regulated well.

The San Jacinto River Authority (SJRA) is a conservation and reclamation district, body politic and corporate and a governmental agency of the State of Texas created and operating under the provisions of a series of acts compiled as Vernon’s Annotated Texas Civil Statutes, Article 8280-121, enacted pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution, whose area comprises all of the territory within the watershed of the San Jacinto River and its tributaries, except that portion of the watershed lying within the boundaries of Harris County. Such area consists of all of Montgomery County and parts of Waller, Grimes, Walker, San Jacinto, Liberty, and Fort Bend counties.

The LSGCD established a regulatory target in its District Regulatory Plan (DRP) Phase I to reduce groundwater withdrawals from the aquifer in Montgomery County to 64,000 acre-feet per year by January 2016. The LSGCD District Regulatory Plan (DRP) Phase II (A) required large volume groundwater users (LVGU) to submit a Water Resource Assessment Plan (WRAP), which included identification of new water supply sources to meet projected water demands by March of 2009. SJRA prepared and submitted a joint plan on behalf of 201 large volume groundwater users to reduce groundwater withdrawal and encourage the conjunctive use of surface water with ground water supplies to meet the LSGCD regulations. In November 2009, the LSGCD adopted final regulations that require certain groundwater users to prepare and submit a Groundwater Reduction Plan by April 1, 2010, outlining how the user intends to meet a 2016 deadline for conversion to surface water supplies. The SJRA responded to this regulatory requirement with the development of a long-term countywide approach that will provide a compliance solution for all users in the county who choose to join. Any large volume groundwater user in the county may join the SJRA's Joint Groundwater Reduction Plan (GRP) by executing a GRP Contract and paying the required monthly GRP Pumpage Fee. The District has executed a GRP Contract with the SJRA. At April 30, 2023, the GRP Pumpage Fee was $2.99 per thousand gallons of groundwater pumped, and is expected to increase in the future. The surface water usage fee was equal to $3.41 per thousand gallons of surface water received, and is expected to increase in the future.

The District's combined well regulatory water use fees and GRP pumpage fees payable to the LSGCD and SJRA for the fiscal year ended April 30, 2023, were $237,480. The District billed its customers $219,501 during the fiscal year to pay for the fees charged by the LSGCD and SJRA.

The District cannot predict the amount or level of fees and charges which may be due the Authorities for future years, but anticipates that it will pass such fees through to its customers. In addition, conversion to surface water will necessitate improvements to the District's water supply system, which could require issuance of additional bonds.

NOTE 10: LEASED PLANT

The District entered into an Lease Agreement with Option to Purchase (the "Lease"), dated November 15, 2015, to facilitate the construction of Phase 1 and Phase 2 of a wastewater treatment plant ("WWTP") for the District. Phase 1 was completed in December 2018. The Lease was amended December 15, 2020 for the Phase 2 expansion of the WWTP. The cost of the Lease of the Phase 2 equipment is $8,500 per month. The term of the lease is 48 months, after which the lease automatically extends on a month-to-month basis at $7,400 per month. The District has the option to purchase the Phase 2 equipment subject to the payment of the option purchase price as set forth in the amortization schedule based upon a total cost of $623,730 at 9.147% interest. The District intends to exercise its purchase option. The Phase 2 equipment became operational as of the end of February 2022. Lease costs for the fiscal year ended April 30, 2023, were $48,055 for principal and $53,945 for interest. At that date the District had prepaid the last months' payment as a deposit in the amount of $8,500 and the outstanding balance of the lease was $563,364.

As of April 30, 2023, future lease payment requirements were as follows:

Due During Fiscal Years Ending April 30	Principal	Interest	Total
2024	$ 52,640	$ 49,360	$ 102,000
2025	57,662	44,338	102,000
2026	453,062	35,823	488,885
	$ 563,364	$ 129,521	$ 692,885

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED APRIL 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 1,136,800	$ 1,684,014	$ 1,689,279	$ 5,265
Water service	324,200	324,200	298,373	(25,827)
Sewer service	436,300	436,300	421,750	(14,550)
Surface water fees	210,600	210,600	219,501	8,901
Penalty	20,500	20,500	23,358	2,858
Tap connection and sewer inspection fees	175,500	175,500	2,908	(172,592)
Interest on deposits and investments	1,957	1,957	91,930	89,973
Other revenues	56,950	56,950	12,505	(44,445)
TOTAL REVENUES	2,362,807	2,910,021	2,759,604	(150,417)
EXPENDITURES				
Service operations:				
Professional fees	115,950	115,950	118,517	2,567
Contracted services	85,800	85,800	103,949	18,149
Utilities	51,600	51,600	71,291	19,691
Surface water fees	210,600	210,600	237,480	26,880
Repairs and maintenance	295,342	295,342	359,402	64,060
Other operating expenditures	125,700	125,700	98,151	(27,549)
Garbage disposal	171,200	171,200	204,672	33,472
Administrative expenditures	64,150	64,150	57,537	(6,613)
Capital outlay	110,000	110,000	51,575	(58,425)
Debt service:				
Principal and interest	102,000	102,000	102,000	0
TOTAL EXPENDITURES	1,332,342	1,332,342	1,404,574	72,232
EXCESS REVENUES (EXPENDITURES)	1,030,465	1,577,679	1,355,030	(222,649)
OTHER FINANCING SOURCES (USES)				
Reimbursement from other fund	70,786	296,694	95,980	(200,714)
TOTAL OTHER FINANCIAL SOURCES (USES)	70,786	296,694	95,980	(200,714)
EXCESS SOURCES (USES)	1,101,251	1,874,373	1,451,010	(423,363)
FUND BALANCE, BEGINNING OF YEAR	2,571,513	2,571,513	2,571,513	0
FUND BALANCE, END OF YEAR	$ 3,672,764	$ 4,445,886	$ 4,022,523	$ (423,363)

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

APRIL 30, 2023

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Temporary Investments

[X] TSI-4. Taxes Levied and Receivable

[X] TSI-5. Long-Term Debt Service Requirements by Years

[X] TSI-6. Changes in Long-Term Bonded Debt

[X] TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Year

[X] TSI-8. Board Members, Key Personnel and Consultants

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2023

1. Services Provided by the District during the Fiscal Year:

X Retail Water	__ Wholesale Water	X Drainage
X Retail Wastewater	__ Wholesale Wastewater	__ Irrigation
__ Parks/Recreation	__ Fire Protection	__ Security
X Solid Waste/Garbage	__ Flood Control	__ Roads

__ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

__ Other

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	$25.00	6,000	N	$1.75	6,001 to 10,000
				2.50	10,001 to 15,000
				3.25	15,001 to 20,000
				4.00	20,001 to 25,000
				4.75	25,001 to 30,000
				5.50	Over 30,000
WASTEWATER:	$44.56		Y		

SURCHARGE: $3.29 per 1,000 gallons of water used. – surface water fees.

District employs winter averaging for wastewater usage: Yes __ No X

Total charges per 10,000 gallons usage: Water: $32.00 Wastewater: $44.56 Surcharge: $32.90

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

SCHEDULE OF SERVICES AND RATES (Continued)

APRIL 30, 2023

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	1	1	1.0	1
< or = 3/4"	784	784	1.0	784
1"	1	1	2.5	3
1-1/2"	0	0	5.0	0
2"	7	7	8.0	56
3"	0	0	15.0	0
4"	1	1	25.0	25
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	794	794		869
Total Wastewater	783	783	1.0	783

*Single family equivalents

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

Gallons pumped into system (unaudited):	78,310
Gallons billed to customers (unaudited):	74,590
Water Accountability Ratio (Gallons billed/ gallons pumped):	95%

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

Does the District have Debt Service standby fees? Yes __ No X

If yes, date of the most recent Commission Order: __________________

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

If yes, date of the most recent Commission Order: __________________

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

EXPENDITURES

FOR THE YEAR ENDED APRIL 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Professional fees:				
Auditing	$ 10,950	$	$	$ 10,950
Legal	60,885	2,190	2,993	66,068
Engineering	46,682			46,682
	118,517	2,190	2,993	123,700
Contracted services:				
Bookkeeping	47,403		550	47,953
Operation and billing	56,546			56,546
Tax assessor-collector		13,234		13,234
Central appraisal district		12,582		12,582
	103,949	25,816	550	130,315
Utilities	71,291	0	0	71,291
Surface water fees	237,480	0	0	237,480
Repairs and maintenance	359,402	0	0	359,402
Other operating expenditures:				
Sludge hauling	35,074			35,074
Chemicals	25,736			25,736
Laboratory costs	15,434			15,434
Sewer inspection costs	10,502			10,502
Reconnection costs	6,860			6,860
Regulatory assessment fee	3,563			3,563
Other	982			982
	98,151	0	0	98,151
Garbage disposal	204,672	0	0	204,672
Administrative expenditures:				
Director's fees	9,450			9,450
Office supplies and postage	12,532			12,532
Insurance	19,662	50		19,712
Permit fees	1,450			1,450
Other	14,443	3,352		17,795
	57,537	3,402	0	60,939

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

EXPENDITURES (Continued)

FOR THE YEAR ENDED APRIL 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CAPITAL OUTLAY				
Authorized expenditures	$ 49,562	$	$ 2,210,961	$ 2,260,523
Tap connection costs	2,013			2,013
	51,575	0	2,210,961	2,262,536
DEBT SERVICE				
Bond anticipation note issuance costs	0	0	48,934	48,934
Principal retirement	48,055	100,000	0	148,055
Interest and fees:				
Interest	53,945	334,650		388,595
Paying agent fees		2,419		2,419
	53,945	337,069	0	391,014
TOTAL EXPENDITURES	$ 1,404,574	$ 468,477	$ 2,263,438	$ 4,136,489

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED APRIL 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	$ 1,052,446	$ 714,644	$ 13,558	$ 1,780,648
Maintenance tax receipts		1,689,279		1,689,279
Proceeds from bond anticipation note			1,950,000	1,950,000
Transfer of maintenance taxes	1,701,342			1,701,342
Reimbursement from other fund	95,980			95,980
Increase in customer and builder deposits	500			500
Overpayments from taxpayers		20,055		20,055
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	2,850,268	2,423,978	1,963,558	7,237,804
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,250,836	31,423	3,561	1,285,820
Capital outlay	70,841		2,053,437	2,124,278
Debt service		437,069	48,934	486,003
Prepaid expenditures	76,306			76,306
Reimbursement to other fund			95,980	95,980
Maintenance tax transfers		1,701,342		1,701,342
Refund of taxpayer overpayments		15,732		15,732
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	1,397,983	2,185,566	2,201,912	5,785,461
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	1,452,285	238,412	(238,354)	1,452,343
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	2,674,375	608,130	617,147	3,899,652
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 4,126,660	$ 846,542	$ 378,793	$ 5,351,995

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

SCHEDULE OF TEMPORARY INVESTMENTS

APRIL 30, 2023

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
TXCLASS				
No. TX-01-0788-0001	Market	On demand	$ 3,917,401	$ 0
DEBT SERVICE FUND				
TXCLASS				
No. TX-01-0788-0005	Market	On demand	$ 775,323	$ 0
CAPITAL PROJECTS FUND				
TXCLASS				
No. TX-01-0788-0008	Market	On demand	$ 369,165	$ 0
No. TX-01-0788-0009	Market	On demand	9,208	0
			$ 378,373	$ 0
Total – All Funds			$ 5,071,097	$ 0

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED APRIL 30, 2023

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 12,184	$ 4,529
Additions and corrections to prior year taxes	(961)	(382)
Adjusted receivable, beginning of year	11,223	4,147
2022 ADJUSTED TAX ROLL	1,706,461	692,722
Total to be accounted for	1,717,684	696,869
Tax collections: Current tax year	(1,678,528)	(681,383)
Prior tax years	(10,751)	(3,960)
RECEIVABLE, END OF YEAR	$ 28,405	$ 11,526
RECEIVABLE, BY TAX YEAR		
2021	$ 473	$ 187
2022	27,932	11,339
RECEIVABLE, END OF YEAR	$ 28,405	$ 11,526

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED APRIL 30, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2022	2021	2020	2019
Land	$ 38,867,790	$ 26,958,510	$ 17,697,230	$ 11,970,610
Improvements	154,656,650	92,018,440	60,976,360	42,731,960
Personal property	439,474	465,280	406,807	516,884
Less exemptions	(25,007,406)	(14,292,330)	(13,092,590)	(12,571,336)
TOTAL PROPERTY VALUATIONS	$ 168,956,508	$ 105,149,900	$ 65,987,807	$ 42,648,118
TAX RATES PER $100 VALUATION				
Debt service tax rates	$ 0.41000	$ 0.42000	$ 0.19000	$ 0.19000
Maintenance tax rates*	1.01000	1.06000	1.29000	1.29000
TOTAL TAX RATES PER $100 VALUATION	$ 1.42000	$ 1.48000	$ 1.48000	$ 1.48000
TAX ROLLS	$ 2,399,183	$ 1,556,219	$ 976,620	$ 631,192
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	98.4 %	99.9 %	100 %	100 %

*Maximum tax rate approved by voters on November 7, 2006: $1.50

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

FOR THE YEAR ENDED APRIL 30, 2023

	Series 2019		
Due During Fiscal Years Ending April 30	Principal Due April 1	Interest Due October 1, April 1	Total
2024	$ 105,000	$ 168,338	$ 273,338
2025	125,000	165,187	290,187
2026	125,000	161,438	286,438
2027	150,000	157,687	307,687
2028	150,000	153,188	303,188
2029	150,000	148,688	298,688
2030	150,000	144,187	294,187
2031	175,000	139,688	314,688
2032	175,000	134,437	309,437
2033	200,000	129,188	329,188
2034	200,000	122,938	322,938
2035	200,000	116,688	316,688
2036	200,000	110,188	310,188
2037	225,000	103,688	328,688
2038	225,000	96,094	321,094
2039	250,000	88,500	338,500
2040	250,000	80,062	330,062
2041	250,000	71,624	321,624
2042	275,000	63,188	338,188
2043	275,000	53,906	328,906
2044	300,000	44,624	344,624
2045	300,000	34,124	334,124
2046	325,000	23,624	348,624
2047	350,000	12,250	362,250
TOTALS	$ 5,130,000	$ 2,523,524	$ 7,653,524

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

FOR THE YEAR ENDED APRIL 30, 2023

	Series 2020		
Due During Fiscal Years Ending April 30	Principal Due April 1	Interest Due October 1, April 1	Total
2024	$ 25,000	$ 62,256	$ 87,256
2025	50,000	61,100	111,100
2026	50,000	58,788	108,788
2027	50,000	56,474	106,474
2028	75,000	54,162	129,162
2029	75,000	50,694	125,694
2030	75,000	47,225	122,225
2031	75,000	43,756	118,756
2032	75,000	42,256	117,256
2033	75,000	40,756	115,756
2034	75,000	39,256	114,256
2035	75,000	37,662	112,662
2036	100,000	36,069	136,069
2037	100,000	33,944	133,944
2038	100,000	31,819	131,819
2039	100,000	29,569	129,569
2040	100,000	27,319	127,319
2041	100,000	24,819	124,819
2042	100,000	22,319	122,319
2043	100,000	19,819	119,819
2044	100,000	17,194	117,194
2045	100,000	14,569	114,569
2046	100,000	11,944	111,944
2047	105,000	9,319	114,319
2048	125,000	6,562	131,562
2049	125,000	3,282	128,282
TOTALS	$ 2,230,000	$ 882,932	$ 3,112,932

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

FOR THE YEAR ENDED APRIL 30, 2023

	Series 2022		
Due During Fiscal Years Ending April 30	Principal Due April 1	Interest Due October 1, April 1	Total
2024	$	$ 100,557	$ 100,557
2025	75,000	100,557	175,557
2026	90,000	97,462	187,462
2027	100,000	93,750	193,750
2028	100,000	89,625	189,625
2029	100,000	85,500	185,500
2030	125,000	81,375	206,375
2031	125,000	76,375	201,375
2032	125,000	71,375	196,375
2033	125,000	66,375	191,375
2034	125,000	62,625	187,625
2035	125,000	58,875	183,875
2036	150,000	55,125	205,125
2037	150,000	50,625	200,625
2038	150,000	46,125	196,125
2039	150,000	41,625	191,625
2040	150,000	37,125	187,125
2041	150,000	32,625	182,625
2042	150,000	28,125	178,125
2043	150,000	23,625	173,625
2044	175,000	19,874	194,874
2045	175,000	15,500	190,500
2046	175,000	11,125	186,125
2047	200,000	6,750	206,750
2048	200,000	4,500	204,500
2049	200,000	2,250	202,250
TOTALS	$ 3,540,000	$ 1,359,450	$ 4,899,450

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

FOR THE YEAR ENDED APRIL 30, 2023

	Annual Requirements for All Series		
Due During Fiscal Years Ending April 30	Total Principal Due	Total Interest Due	Total
2024	$ 130,000	$ 331,151	$ 461,151
2025	250,000	326,844	576,844
2026	265,000	317,688	582,688
2027	300,000	307,911	607,911
2028	325,000	296,975	621,975
2029	325,000	284,882	609,882
2030	350,000	272,787	622,787
2031	375,000	259,819	634,819
2032	375,000	248,068	623,068
2033	400,000	236,319	636,319
2034	400,000	224,819	624,819
2035	400,000	213,225	613,225
2036	450,000	201,382	651,382
2037	475,000	188,257	663,257
2038	475,000	174,038	649,038
2039	500,000	159,694	659,694
2040	500,000	144,506	644,506
2041	500,000	129,068	629,068
2042	525,000	113,632	638,632
2043	525,000	97,350	622,350
2044	575,000	81,692	656,692
2045	575,000	64,193	639,193
2046	600,000	46,693	646,693
2047	655,000	28,319	683,319
2048	325,000	11,062	336,062
2049	325,000	5,532	330,532
TOTALS	$ 10,900,000	$ 4,765,906	$ 15,665,906

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED APRIL 30, 2023

	(1)	(2)	(3)	Totals
Bond Series	2019	2020	2022	
Interest Rate	3.00% to 3.50%	2.00% to 4.625%	1.25% to 4.125%	
Dates Interest Payable	October 1/ April 1	October 1/ April 1	October 1/ April 1	
Maturity Dates	April 1, 2024/2047	April 1, 2024/2049	April 1, 2025/2049	
Bonds Outstanding at Beginning of Current Year	$ 5,230,000	$ 2,230,000	$ 3,540,000	$ 11,000,000
Less Retirements	(100,000)			(100,000)
Bonds Outstanding at End of Current Year	$ 5,130,000	$ 2,230,000	$ 3,540,000	$ 10,900,000
Current Year Interest Paid	$ 171,838	$ 62,256	$ 100,556	$ 334,650

Bond Descriptions and Original Amount of Issue

(1) Montgomery County Municipal Utility District No. 96 Unlimited Tax Bonds, Series 2019 ($5,230,000)

(2) Montgomery County Municipal Utility District No. 96 Unlimited Tax Bonds, Series 2020 ($2,230,000)

(3) Montgomery County Municipal Utility District No. 96 Unlimited Tax Bonds, Series 2022 ($3,540,000)

Paying Agent/Registrar

(1) (2) (3) Regions Bank, an Alabama banking corporation, Houston, Texas

Bond Authority	Tax Bonds	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 55,000,000	$ 0	$ 55,000,000
Amount Issued:	11,000,000		0
Remaining to be Issued:	44,000,000		55,000,000

Net Debt Service Fund deposits and investments balances as of April 30, 2023:	$ 844,499
Average annual debt service payment for remaining term of all debt:	602,535

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	$ 1,689,279	$ 1,118,194	$ 850,598	$ 543,453	$ 452,778	61.2 %	51.8 %	46.8 %	47.3 %	55.5 %
Water service	298,373	270,924	198,265	129,052	87,820	10.8	12.5	10.9	11.2	10.8
Sewer service	421,750	399,754	267,835	165,261	102,062	15.3	18.5	14.8	14.4	12.5
Surface water fees	219,501	185,478	124,803	80,675	57,050	8.0	8.6	6.9	7.0	7.0
Penalty and interest	23,358	19,710	6,475	8,090	6,602	0.8	0.9	0.4	0.7	0.8
Tap connection and sewer inspection fees	2,908	147,150	344,585	198,450	99,845	0.1	6.8	18.9	17.3	12.3
Interest on deposits	91,930	2,443	2,924	11,413	1,513	3.3	0.1	0.2	1.0	0.2
Other	12,505	17,430	19,084	12,705	7,171	0.5	0.8	1.1	1.1	0.9
TOTAL REVENUES	2,759,604	2,161,083	1,814,569	1,149,099	814,841	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Professional fees	118,517	100,763	100,794	122,818	110,877	4.3	4.7	5.6	10.8	13.6
Contracted services	103,949	78,236	59,682	54,415	55,518	3.8	3.6	3.3	4.7	6.8
Utilities	71,291	50,638	41,342	34,605	29,069	2.6	2.3	2.3	3.0	3.6
Surface water fees	237,480	165,486	114,290	80,907	54,413	8.6	7.7	6.3	7.0	6.7
Repairs and maintenance	359,402	260,445	160,632	187,567	122,934	12.9	12.0	8.9	16.4	15.2
Other operating expenditures	98,151	113,433	116,655	84,130	62,079	3.6	5.2	6.4	7.3	7.6
Operating leases	0	0	0	0	90,000	0.0	0.0	0.0	0.0	11.0
Garbage disposal	204,672	152,688	101,869	44,040	35,672	7.4	7.1	5.6	3.8	4.4
Administrative expenditures	57,537	57,649	48,806	42,776	42,760	2.1	2.7	2.7	3.7	5.2
Capital outlay	51,575	791,842	176,646	101,156	86,712	1.9	36.6	9.6	8.8	10.6
Debt service principal and interest	102,000	17,000	0	0	103,687	3.7	0.8	0.0	0.0	12.7
TOTAL EXPENDITURES	1,404,574	1,788,180	920,716	752,414	793,721	50.9	82.7	50.7	65.5	97.4
EXCESS REVENUES (EXPENDITURES)	$ 1,355,030	$ 372,903	$ 893,853	$ 396,685	$ 21,120	49.1 %	17.3 %	49.3 %	34.5 %	2.6 %
DEVELOPER ADVANCES AND LEASE PROCEEDS	$ 0	$ 623,730	$ 0	$ 0	$ 149,919					
TOTAL ACTIVE RETAIL WATER CONNECTIONS	794	793	677	391	230					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	783	793	668	382	223					

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND

FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023	2022	2021	2020*	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	$ 685,343	$ 439,485	$ 125,316	$ 79,088		95.9 %	95.2 %	95.2 %	87.8 %	%
Penalty and interest	7,125	9,862	3,425	1,957		1.0	2.6	2.6	2.2	
Accrued interest on bonds received at date of sale	0	0	1,902	5,251		0.0	1.4	1.4	5.8	
Interest on deposits	22,176	768	992	3,775		3.1	0.8	0.8	4.2	
TOTAL REVENUES	714,644	450,115	131,635	90,071	0	100.0	100.0	100.0	100.0	0.0
EXPENDITURES										
Current:										
Professional fees	2,190	2,427	265	226		0.3	0.2	0.2	0.3	
Contracted services	25,816	22,641	11,826	9,391		3.6	9.0	9.0	10.4	
Other expenditures	3,402	3,097	3,640	3,674		0.5	2.8	2.8	4.1	
Debt service:										
Principal retirement	100,000	0	0	0		14.0	0.0	0.0	0.0	
Interest and fees	337,069	257,497	198,584	100,239		47.2	150.8	150.8	111.2	
TOTAL EXPENDITURES	468,477	285,662	214,315	113,530	0	65.6	162.8	162.8	126.0	0.0
EXCESS REVENUES (EXPENDITURES)	$ 246,167	$ 164,453	$ (82,680)	$ (23,459)	$ 0	34.4 %	(62.8) %	(62.8) %	(26.0) %	0.0 %

*First year of financial activity.

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

APRIL 30, 2023

Complete District Mailing Address: Montgomery County Municipal Utility District No. 96
c/o Schwartz, Page & Harding, L.L.P.
1300 Post Oak Blvd., Suite 2400
Houston, Texas 77056

District Business Telephone No.: 713-623-4531

Submission date of the most recent District Registration Form: June 6, 2022

Limit on Fees of Office that a Director may receive during a fiscal year: $7,200

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Robert C. Watson c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	Elected 5/07/22- 5/02/26	$ 2,700	$ 2,704	President
David Grassbaugh c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	Elected 5/02/20- 5/04/24	1,350	0	Vice President
Nadine Bitner c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	Elected 5/07/22- 5/02/26	1,500	453	Secretary
Jim Ivey c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	Elected 5/02/20- 5/04/24	1,500	0	Assistant Secretary
Anthony Salazar c/o Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	Elected 5/07/22- 5/02/26	2,400	968	Assistant Secretary

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 96

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

APRIL 30, 2023

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Schwartz, Page & Harding, L.L.P. 1300 Post Oak Blvd., Suite 2400 Houston, Texas 77056	8/28/06	$ 67,037 19,849 BAN	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 N. Loop West, Suite 600 Houston, Texas 77008	10/01/14	2,190	Delinquent Tax Attorney
Municipal Accounts & Consulting, L.P. 1300 Post Oak Blvd., Suite 1600 Houston, Texas 77056	8/28/06	50,688 3,000 BAN	Bookkeeper
Mark Burton, Ghia Lewis 1300 Post Oak Blvd, Suite 1600 Houston, Texas 77056	10/03/16	0	Investment Officer
Municipal District Services, L.L.C. 406 West Grand Parkway S., Suite 260 Katy, Texas 77494	5/05/14	412,369	Operator
R. G. Miller Engineers, Inc. 16340 Park Ten Place, Suite 350 Houston, Texas 77084	11/05/18	132,685	Engineer
Assessments of the Southwest, Inc. P.O. Box 1368 Friendswood, Texas 77546	11/15/06	14,309	Tax Assessor-Collector
Montgomery Central Appraisal District P.O. Box 2233 Conroe, Texas 77305	Legislative Action	9,712	Central Appraisal District
The GMS Group, Inc. 5075 Westheimer, Suite 1175 Houston, Texas 77056	8/28/06	900 19,500 BAN	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	4/03/17	11,450 4,950 BAN	Independent Auditor

APPENDIX B

<u>SPECIMEN MUNICIPAL BOND INSURANCE POLICY</u>

(*To be included in the Final Official Statement, if applicable*)