

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

The Bonds are NOT “qualified tax-exempt obligations” for financial institutions.

NEW ISSUE—BOOK-ENTRY-ONLY
CUSIP No. 36423D

Underlying Rating: “BBB+” (stable outlook) S&P
See “MUNICIPAL BOND RATING” herein

\$6,100,000
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT No. 92
 (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 on \$6,100,000 Unlimited Tax Bonds, Series 2024 (the “Bonds” or the “Series 2024 Bonds”), will accrue from June 1, 2024, and will be payable on October 1 and April 1 of each year, commencing October 1, 2024. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the “BOOK-ENTRY-ONLY SYSTEM” described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS – Paying Agent/Registrar.”

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$125,000	2025	%	%	\$275,000	2037(b)	%	%
\$150,000	2026	%	%	\$275,000	2038(b)	%	%
\$175,000	2027	%	%	\$300,000	2039(b)	%	%
\$175,000	2028	%	%	\$300,000	2040(b)	%	%
\$175,000	2029	%	%	\$325,000	2041(b)	%	%
\$200,000	2030(b)	%	%	\$350,000	2042(b)	%	%
\$200,000	2031(b)	%	%	\$350,000	2043(b)	%	%
\$200,000	2032(b)	%	%	\$375,000	2044(b)	%	%
\$225,000	2033(b)	%	%	\$375,000	2045(b)	%	%
\$225,000	2034(b)	%	%	\$400,000	2046(b)	%	%
\$250,000	2035(b)	%	%	\$425,000	2047(b)	%	%
\$250,000	2036(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 (hereinafter defined), 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 within any one 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 – Optional Redemption.”

The proceeds of the Bonds will be used by Montgomery County Municipal Utility District No. 92 (the “District”) to: (1) reimburse two Developers (hereinafter defined) for the construction of certain improvements, (2) pay Developer interest, and (3) pay costs of issuance and administrative expenses on the Bonds. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Montgomery County, or the City of Conroe, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about June 6, 2024.

Bids Due: Thursday, May 2, 2024 at 9:00 A.M. Houston Time

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12" or the "Rule"), this Preliminary Official Statement 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 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 connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not registered or qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

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 (hereinafter defined). See "OFFICIAL STATEMENT – Updating of Official Statement."

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for any purpose.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by _____ (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of _____ % of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of _____ % as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

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

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING 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 THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS

ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over the 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 bids and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. 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.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in section entitled "DISTRICT DEBT" (except for "- Estimated Overlapping Debt)," "DISTRICT TAX DATA," (except for "- Estimated Overlapping Taxes") and "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024. The District will provide the updated information to the MSRB or any successor to its functions as a repository through its EMMA system.

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 "Rule"). 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, the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution 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 June 30. Accordingly, it must provide updated information by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

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; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The terms "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provisions for debt service reserves or liquidity enhancement. In addition, the District will provide

timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing updated information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District has made application to Standard & Poor's Global Ratings ("S&P") which has assigned the underlying rating of "BBB+" (stable outlook) on the Bonds based upon the District's underlying credit without bond insurance. The underlying rating to be released by S&P of the District will be maintained by S&P in addition to the rating by virtue of the bond insurance, if applicable. See "BOND INSURANCE." An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P, and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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. The District will pay for the cost of the S&P rating. The Underwriter must pay for the cost of any rating other than the S&P rating. 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.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

- Description:** Montgomery County Municipal Utility District No. 92 (the "District") \$6,100,000 Unlimited Tax Bonds, Series 2024 (the "Bonds"), are dated June 1, 2024. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, relating to the issuance of bonds by political subdivisions, including but not limited to, Chapters 49 and 54 of the Texas Water Code, as amended, a bond election held within the District, an order of the Texas Commission on Environmental Quality (the "TCEQ"), and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be adopted by the Board of Directors of the District. The Bonds represent the eighth series of bonds to be issued by the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2030, are subject to early redemption, in whole or from time to time in part, on April 1, 2029, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Legal Opinion:** Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Houston, Texas.
- Payment Record:** The District has never defaulted in the payment of principal or interest on any bonds or outstanding obligations.
- Outstanding Bonds:** The District has previously issued seven series of bonds. As of April 1, 2024, \$12,645,000 principal amount of unlimited tax bonds remain outstanding.
- Risk Factors:** The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) reimburse two Developers (hereinafter defined) for the construction of certain improvements, (2) pay Developer interest, and (3) pay costs of issuance and administrative expenses on the Bonds. See "USE OF BOND PROCEEDS."
- NOT Qualified Tax Exempt Obligations:** The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.
- Municipal Bond Rating:** In connection with the sale of the Bonds, the District has made an application to S&P which has assigned its municipal bond rating of "BBB+" (stable outlook) to this issue of Bonds based upon the District's underlying credit without bond insurance. See "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. The District will pay for the cost of the S&P rating. The Underwriter must pay for the cost of any rating other than the S&P rating. 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.

THE DISTRICT

- Description:** The District is a municipal utility district created on October 27, 2004, by an order of the Texas Commission on Environmental Quality ("TCEQ"). The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution, and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The District is located within the corporate limits of the City of Conroe, approximately 3 miles southeast of downtown Conroe, fronting on F.M. 1314 (Hidden Creek, Ladera Creek, Ladera Trails and Hidden Creek Preserve subdivision) and approximately 2 miles southeast of downtown Conroe fronting F.M. 3083 (Cedar Wood subdivision) in Montgomery County. See "THE DISTRICT."
- Development of the District:** The District, as it was originally created, included approximately 519 acres. Since the creation of the District, there has been one annexation in February 2014. The District currently includes approximately 566 acres. As of April 1, 2024, approximately 484 acres are developed, 17 acres of land remained to be developed and approximately 65 acres are undevelopable. As of April 1, 2024, the District has a total of 1,771 developed lots with 1,535 completed homes, 84 homes under construction, and 152 vacant developed lots. See "THE DISTRICT – Current Status of Development" and "APPENDIX B – PHOTOGRAPHS TAKEN IN THE DISTRICT."
- The System:** The City of Conroe provides wastewater treatment capacity to the District through its Southwest Wastewater Treatment plant which has a TCEQ permitted capacity of 10 million gallons per day and can serve approximately 28,751 equivalent single family connections ("ESFC"). The City of Conroe is contractually obligated to provide the District with its ultimate water supply requirement. Service to the District is from an existing 16" water line along Porter Road and a 10" water line on Avenue M. The District has connected a 12" water loop through the District which connects to these two water sources. The City of Conroe is capable of serving the District's requirement of 15,321 ESFCs. See "THE SYSTEM."
- The Developers:** Savannah Development, LTD. (Savannah) is the developer of the lots located in Hidden Creek, Sections 1, 2 and 3. Savannah is a Texas limited partnership whose general partner is U.S. Home LLC, a Delaware limited liability company, (as successor-in-interest by conversion from U.S. Home Corporate, a Delaware corporation). Lennar built all the homes in Hidden Creek, Sections 1, 2, and 3.
- The developer in the Ladera Creek subdivision is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, dba Friendswood Development Company, who's general partner is U.S. Home LLC, a Delaware limited liability company, (as successor-in-interest by conversion from U.S. Home Corporation, a Delaware corporation). Homes in Ladera Creek have been constructed on 50-foot lots and marketed in the \$295,000-\$360,000 price range. The active home builders in Ladera Creek include Lennar Homes, and Stylecraft Homes.
- The developer in the Ladera Trails subdivision is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, dba Friendswood Development Company, who's general partner is U.S. Home LLC, a Delaware limited liability company, (as successor-in-interest by conversion from U.S. Home Corporation, a Delaware corporation). Homes in Ladera Trails are being constructed by Lennar Homes on 40-foot lots and marketed in the \$220,000 - \$300,000 price range.
- Lennar purchased 235 lots in Cedar Woods, made certain improvements to the lots in the subdivision, and completed the build out of 235 lots in Cedar Woods. In 2016, Lennar sold 85 Cedar Woods lots to Anglia Homes.
- Hidden Creek Preserve, Section 1 (approximately 45 acres and 104 lots) was developed by Lots of Hidden Creek, L.L.C. ("LoHC"), a Texas limited liability company established solely for the purpose of developing land located within the Hidden Creek Preserve subdivision. LoHC is comprised of HMM Development, Inc. (a wholly owned subsidiary of History Maker Homes), Lexington 26, L.P.; and Green Eco Builders, L.L.C. Rausch Coleman Homes ("RCH") purchased Green Eco Builders in 2020 and became the owner of 41 lots in Section 1 (40 of those 41 lots have been built upon).
- Houston LD, LLC a limited liability company affiliated with Rausch Coleman Homes (RCH) is in the process of building out approximately 222 lots located on approximately 63 acres known as the Hidden Creek Preserve, Sections 2 and 3. According to RCH, as of April 1, 2024, Hidden Creek Preserve, Sections 1 – 3 included 213 completed homes, 23 homes under construction and 90 vacant developed lots. RCH is currently marketing homes in the \$230,000-\$290,000 price range.

SELECTED FINANCIAL INFORMATION
(Unaudited)

3/1/2023 Estimated Taxable Value	\$307,752,599	(a)
2023 Certified Taxable Value	\$270,858,549	(b)
Direct Debt		
Outstanding Bonds	\$12,645,000	
The Bonds	<u>\$6,100,000</u>	
Total Direct Debt	\$18,745,000	
Estimated Overlapping Debt (See "DISTRICT DEBT")	<u>\$21,446,400</u>	
Direct and Estimated Overlapping Debt	\$40,191,400	
Percentage of Direct Debt to:		
3/1/2023 Estimated Taxable Value	6.09%	
2023 Certified Taxable Value	6.92%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
3/1/2023 Estimated Taxable Value	13.06%	
2023 Certified Taxable Value	14.84%	
See "DISTRICT DEBT"		
2023 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.33	
Maintenance Tax	<u>\$0.25</u>	
Total 2023 Tax Rate	\$0.58	
Cash and Temporary Investment Balances as of April 4, 2024		
General Fund	\$801,645	
Debt Service Fund	\$780,905	(c)

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- (a) Reflects the Estimated Taxable Value as of March 1 2023, which was prepared by the Montgomery Central Appraisal District ("MCAD" or the "Appraisal District") and provided to the District.
- (b) Reflects the 2023 Certified Taxable Value according to data supplied by MCAD for informational purposes only. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."

DEBT SERVICE REQUIREMENTS

The following sets forth the estimated debt service on the District's Outstanding Bonds and the debt service requirements for the Series 2024 Bonds.

<u>Year</u>	<u>Existing Debt Service Requirements</u>	<u>Debt Service on the Series 2024 Bonds</u>		<u>Total Debt Service Requirements*</u>
		<u>Principal</u>	<u>Interest*</u>	
2024	\$781,472	-	\$93,533	\$875,005
2025	\$867,478	\$125,000	\$277,725	\$1,270,203
2026	\$958,804	\$150,000	\$271,400	\$1,380,204
2027	\$937,542	\$175,000	\$263,925	\$1,376,467
2028	\$946,197	\$175,000	\$255,875	\$1,377,072
2029	\$954,135	\$175,000	\$247,825	\$1,376,960
2030	\$956,866	\$200,000	\$239,200	\$1,396,066
2031	\$969,221	\$200,000	\$230,000	\$1,399,221
2032	\$975,661	\$200,000	\$220,800	\$1,396,461
2033	\$966,662	\$225,000	\$211,025	\$1,402,687
2034	\$844,412	\$225,000	\$200,675	\$1,270,087
2035	\$848,693	\$250,000	\$189,750	\$1,288,443
2036	\$841,562	\$250,000	\$178,250	\$1,269,812
2037	\$852,915	\$275,000	\$166,175	\$1,294,090
2038	\$853,431	\$275,000	\$153,525	\$1,281,956
2039	\$730,494	\$300,000	\$140,300	\$1,170,794
2040	\$733,806	\$300,000	\$126,500	\$1,160,306
2041	\$664,618	\$325,000	\$112,125	\$1,101,743
2042	\$648,306	\$350,000	\$96,600	\$1,094,906
2043	\$656,712	\$350,000	\$80,500	\$1,087,212
2044	\$431,981	\$375,000	\$63,825	\$870,806
2045	<u>\$230,344</u>	\$375,000	\$46,575	\$651,919
2046		\$400,000	\$28,750	\$428,750
2047		<u>\$425,000</u>	<u>\$9,775</u>	<u>\$434,775</u>
TOTALS	\$17,651,310	\$6,100,000	\$3,904,633	\$27,655,943

Maximum Annual Debt Service Requirements (2033)..... \$1,402,687*

\$0.48 tax rate on 3/1/2023 Estimated Taxable Valuation of \$307,752,599
 @ 95% collections produces..... \$1,403,352*

\$0.55 tax rate on 2023 Certified Taxable Valuation of \$270,858,549
 @ 95% collections produces..... \$1,415,236*

See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

*Preliminary, subject to change.

**OFFICIAL STATEMENT
relating to**

\$6,100,000

**Montgomery County Municipal Utility District No. 92
(A political subdivision of the State of Texas located within Montgomery County, Texas)**

**UNLIMITED TAX BONDS
SERIES 2024**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$6,100,000 Montgomery County Municipal Utility District No. 92 Unlimited Tax Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to Article XVI Section 59 the Texas Constitution and general laws of the State of Texas, relating to the issuance of bonds by political subdivisions, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be adopted by the Board of Directors of Montgomery County Municipal Utility District No. 92 (the "District"), a bond election held within the District, and an order of the Texas Commission on Environmental Quality (the "TCEQ").

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District and its financial condition, and the Developer in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Montgomery County, the City of Conroe, or any other political subdivision. The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Potential Effects of Oil Price Fluctuations on the Houston Area

The recent fluctuations in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

Dependence on the Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter (defined herein) 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 spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. 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 against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution do 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. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment 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 the 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. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a 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 Owners could potentially and adversely impair the value of the Registered Owners' 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 the District.

A District cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

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

Economic Factors

The continued growth and maintenance of taxable values in the District is directly related to the housing/home building industry. Historically, the housing and home building industry has been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions including the relative price of oil and natural gas. Any future commercial building in the District (if any) could also be adversely affected by such economic developments.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates, at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates can affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The economy of the Houston, Texas metropolitan area and the southeast Texas regional area is largely dependent on the petrochemical industry. Recent fluctuations in the price of oil and related products have the potential to negatively affect the economy of the Houston, Texas metropolitan area and the southeast Texas region and likewise negatively affect housing prices, assessed valuations and continued development in the District. The District can make no prediction on what effect current or future oil prices may have on housing prices, assessed valuations and continued development in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon home building plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current building programs will be completed. The competitive position of the Developer in the sale of its developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and within the market area in which the District is located. Such sites could pose competition to the continued home building development and commercial development on comparable sites within the District.

Competition

The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers and school districts causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels.

The competitive position of the Developer in the sale of land and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to 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 Developer will be implemented or, if implemented, will be successful.

Landowners/Developer under No Obligation to the District

Neither of the Developers nor any other landowner within the District have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developers) to sell its land. Failure to construct taxable improvements on developed lots (anticipated to be created by the Developers) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

Assuming no further residential building development within the District, other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay ad valorem taxes levied by the District. After the issuance of the Bonds, the maximum annual debt service requirement will be \$1,402,687 (2033). The District's 3/1/2023 Estimated Taxable Value is \$307,752,599. Assuming no increase or decrease from the 3/1/2023 Estimated Taxable Value and no use of other District funds, a tax rate of \$0.48 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the maximum annual debt service requirement. The District's 2023 Certified Taxable Value is \$270,858,549. Assuming no increase or decrease from the 2023 Certified Taxable Value and no use of other District funds, a tax rate of \$0.55 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the maximum annual debt service requirements. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Future Debt

The District's voters have authorized the issuance of a total of \$62,000,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities, \$40,000,000 of refunding bonds, and \$11,500,000 of unlimited tax bonds for the costs of the design, construction, purchase and acquisition of recreational facilities and additions thereto, and the District could authorize additional amounts in the future. The District will have \$41,715,000 of unlimited tax bonds for water, sewer and drainage facilities (after the sale of the Series 2024 Bonds), \$11,500,000 of unlimited tax bonds for recreational facilities and \$39,880,000 of refunding bonds that will remain authorized, but unissued, after the issuance of the Bonds. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not more than three percent of the value of the taxable property in the District. The District has authorized \$11,500,000 of park bonds at an election held on May 13, 2006. The District has no plans to issue any parks and recreational facility bonds at this time.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Continuing Compliance with Certain Covenants

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

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

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

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

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

Bond Insurance Risk Factors

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. If such policy is issued, investors should be aware of the following risk factors:

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

Default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

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

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

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

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

Changes in Tax Legislation

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

Severe Weather

The District is located approximately 75 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.

The greater Houston area has experienced four storms exceeding a 0.2% probability of occurrence (i.e., “500-year flood” events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could 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. According to the observations of the District's Operator and the District's Engineer, the System serving the District did not sustain any significant damage from Hurricane Harvey and there was no interruption of water and sewer service provided by the City during or after the storm. Based on information available to the District, none of the homes located within the District at the time of Hurricane Harvey experienced flooding as a result of the storm.

Specific Flood Type Risks

The District may be subject to the following flood 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.

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

Coastal (or Storm Surge) Flooding – Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Temporary Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments After Disaster

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

In addition, under the Texas Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

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

Atlas 14

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the Service Area may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the Service Area. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF CONROE

The District operates pursuant to a Utility Functions and Services Allocation Agreement, as amended, between the City of Conroe (the "City") and the District (the "Utility Agreement"). Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for the ultimate conveyance to, the City, the water distribution, wastewater collection and drainage facilities to serve development occurring within the boundaries of the District (the "Facilities") and the City agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity with capital charges of any kind.

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. Before the District is authorized to issue bonds, the District must provide the City with a copy of the TCEQ order authorizing issuance of the bonds and such order must provide that under the TCEQ's rules governing the issuance of bonds it is feasible to sell the bonds at a District tax rate that does not exceed \$0.60 per \$100 in valuation. The Utility Agreement expressly provides that such condition is not a limitation on the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount.

The Utility Agreement provides that the City pay an annual rebate to the District. The annual rebate is equal to the total assessed value in the District multiplied by the City's tax rate that is attributable to the construction of water, sewer and drainage facilities divided by 100. The current City tax attributable to water, sewer, and drainage is approximately \$0.02 per \$100 in valuation. The tax rebate is not pledged to the payment of the Bonds, although such payment must be deposited in the District's Debt Service Fund.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement the City agrees that it will not dissolve the District until ninety percent of the District's Facilities have been developed and the developers advancing funds to construct the Facilities have been reimbursed.

THE SYSTEM

Regulation

According to the District's engineer, LJA Engineering, Inc. (the "Engineer"), the District's water distribution, wastewater collection and drainage facilities (the "System") have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the Commission, the City and Montgomery County. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the Commission.

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

Water System

Water supply for the District customers is provided pursuant to contracts with the City. The District's source of water is groundwater from wells owned and operated by the City. The City's water supply system that serves the District is capable of serving 15,321 ESFCs, which is sufficient to serve the 1,771 developed lots in the District.

Wastewater System

Pursuant to a Utility Agreement between the City, the Developer, and the District; the City has agreed to provide capacity for the ultimate wastewater discharge of the District. Wastewater treatment for the District customers is currently provided by the City's 10 million gallon per day wastewater treatment plant. The City's wastewater system that serves the District is capable of serving 28,751 ESFCs, which is sufficient to serve the 1,771 developed lots in the District.

Drainage System

The underground storm sewer facilities to serve Hidden Creek, Sections 1 – 3, Cedar Woods, Ladera Creek, Sections 4, 5 & 10, and Hidden Creek Preserve, Section 1 are complete. Additionally, the District's drainage system currently includes collection systems, detention facilities and drainage channels that carry water to Little Caney Creek that out-falls to the San Jacinto River.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse two Developers for the construction of certain improvements, (2) pay Developer interest, and (3) pay costs of issuance and administrative expenses on the Bonds. To the extent surplus funds are available from the sale of the Bonds, such funds may be expended for any lawful purpose for which surplus funds may be used with approval of the TCEQ.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS:	<u>Total Amount</u> (a)
<i>Developer Items</i>	
Ladera Creek Section 10	\$661,628
Ladera Trails Section 1	\$1,323,676
Ladera Creek Sections 6 & 13	\$212,290
Engineering, Geotechnical & Testing	\$372,727
SWPPP	<u>\$112,131</u>
<i>Total Items</i>	\$2,682,452
<i>District Items</i>	
Clearing, Grubbing, Grading for Madera Creek, Ladera Creek and Ladera Creek Detention Pond	\$616,333
Clearing and Grubbing for Ladera Trails and Ladera Creek	\$476,108
Land acquisition Hidden Creek Ph 2 Detention	\$792,165
Engineering, Geotechnical & Testing	\$184,172
SWPPP	<u>\$95,619</u>
<i>Total Items</i>	\$2,164,397
TOTAL CONSTRUCTION COSTS	\$4,846,849
NON-CONSTRUCTION COSTS:	
Legal Fees	\$162,000
Financial Agent Fees	\$122,000
Developer Interest	\$670,247
Bond Discount	\$183,000
Bond Issuance Expenses	\$39,554
Bond Application Report Costs	\$55,000
Attorney General Fee	\$6,100
TCEQ Bond Issue Fee	\$15,250
Contingency	<u>\$0</u> (b)
TOTAL NON-CONSTRUCTION COSTS	\$1,253,151
TOTAL BOND ISSUE REQUIREMENT	<u>\$6,100,000</u>

-
- (a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District has been granted a waiver of such requirement pursuant to 30 Tex. Admin. Code §293.47(a)(3).
 - (b) The TCEQ Order requires that the District designate any surplus Bond proceeds resulting from the sale of the Bonds at a lower interest rate than the rate authorized by the TCEQ Order as a contingency line item in the Final Official Statement. Such funds may be used by the District only in accordance with the TCEQ rules.

THE DISTRICT

Authority

The District is a municipal utility district created on October 27, 2004 by an order of the TCEQ. The District was created pursuant to the authority of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered 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.

Under certain limited circumstances the District also is authorized to construct, develop, and maintain park and recreational facilities.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City of Conroe, within whose corporate limits the District lies, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require approval by the City of the District's construction plans and specifications.

Description and Location

The District, as it was originally created, included approximately 519 acres; with the annexation completed in February 2014, the District currently includes 566 acres. The District is located within the corporate limits of the City of Conroe, approximately 3 miles southeast of downtown Conroe, fronting on F.M. 1314 (Hidden Creek, Ladera Creek, Ladera Trails and Hidden Creek Preserve subdivision) and approximately 2 miles southeast of downtown Conroe fronting F.M. 3083 (Cedar Wood subdivision) in Montgomery County. According to the District's Engineer, there are approximately 50.26 acres within the District which are within the current effective 100-year flood plain. See “– Status of Land Development and Land Uses in the District” herein, “– Current Status of Development,” herein and “APPENDIX B – PHOTOGRAPHS TAKEN IN THE DISTRICT.”

Status of Land Development/Land Uses in the District

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

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Current Developed Acres	484
Acres Under Development	0
Remaining Developable Acres	17
Drainage Easements	<u>65</u>
Total Approximate Acres	566

Current Status of Development

The status of development in the District as of April 1, 2024, is summarized in the table below:

<u>Subdivision/Section</u>	<u>Approx. Acres</u>	<u>Total Lots</u>	Homes		
			<u>Complete</u>	<u>Under Construction</u>	<u>Vacant Lots</u>
Hidden Creek, Sections 1 – 3	68	281	281	0	0
Cedar Woods	46	235	235	0	0
Ladera Creek, Sections 4 – 13	175	557	505	25	27
Ladera Trails, Sections 1 – 5	88	372	301	36	35
Hidden Creek Preserve, Sections 1 – 3	108	326	213	23	90
Additional Developable Acreage	17	0	0	0	0
Undevelopable Acreage (a)	<u>65</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	566	1,771	1,535	84	152

(a) Includes drainage easements, flood plain acreage, a school site, utility easements parks/recreations areas, road rights of way and open spaces.

THE DISTRICT'S DEVELOPERS

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater and drainage facilities in the utility district exclusive of water and sewage treatment plants, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Developers in the District

Savannah Development, LTD. (Savannah) is the developer of the lots located in Hidden Creek, Sections 1, 2 and 3. Savannah is a Texas limited partnership whose general partner is U.S. Home LLC, a Delaware limited liability company, (as successor-in-interest by conversion from U.S. Home Corporate, a Delaware corporation). Lennar built all the homes in Hidden Creek, Sections 1, 2, and 3.

The developer in the Ladera Creek subdivision is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, dba Friendswood Development Company, who's general partner is U.S. Home LLC, a Delaware limited liability company, (as successor-in-interest by conversion from U.S. Home Corporation, a Delaware corporation). Homes in Ladera Creek have been constructed on 50-foot lots and marketed in the \$295,000-\$360,000 price range. The active home builders in Ladera Creek include Lennar Homes, and Stylecraft Homes.

The developer in the Ladera Trails subdivision is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, dba Friendswood Development Company, who's general partner is U.S. Home LLC, a Delaware limited liability company, (as successor-in-interest by conversion from U.S. Home Corporation, a Delaware corporation). Homes in Ladera Trails are being constructed by Lennar Homes on 40-foot lots and marketed in the \$220,000 - \$300,000 price range.

Lennar purchased 235 lots in Cedar Woods, made certain improvements to the lots in the subdivision, and completed the build out of 235 lots in Cedar Woods. In 2016, Lennar sold 85 Cedar Woods lots to Anglia Homes.

Hidden Creek Preserve, Section 1 (approximately 45 acres and 104 lots) was developed by Lots of Hidden Creek, L.L.C. ("LoHC"), a Texas limited liability company established solely for the purpose of developing land located within the Hidden Creek Preserve subdivision. LoHC is comprised of HMH Development, Inc. (a wholly owned subsidiary of History Maker Homes), Lexington 26, L.P.; and Green Eco Builders, L.L.C. Rausch Coleman Homes ("RCH") purchased Green Eco Builders in 2020 and became the owner of 41 lots in Section 1 (40 of those 41 lots have been built upon).

Houston LD, LLC a limited liability company affiliated with Rausch Coleman Homes (RCH) is in the process of building out approximately 222 lots located on approximately 63 acres known as the Hidden Creek Preserve, Sections 2 and 3. According to RCH, as of April 1, 2024, Hidden Creek Preserve, Sections 1 – 3 included 213 completed homes, 23 homes under construction and 90 vacant developed lots. RCH is currently marketing homes in the \$230,000-\$290,000 price range.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all affairs of the District. None of the directors reside in the District; each of the directors owns a parcel of land in the District subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
John Schmid	President	2028*
Linda Burroughs	Vice President	2026
Maribel Mounts	Secretary	2028*
Michelle Schick	Assistant Vice President	2026
Bobby Villarreal	Assistant Secretary	2026

* Anticipated to be re-appointed to the Board in May 2024 for an additional four-year term ending May 2028.

The District does not employ a general manager or any other full-time employees. The District has contracted for utility system operating, bookkeeping, tax assessing and collecting services and annual auditing of its financial statements as follows:

Tax Assessor/Collector – The District’s Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract and represents approximately 185 other utility districts.

Bookkeeper – The District’s Bookkeeper is McLennan & Associates, LP, which acts as bookkeeper for over 200 other utility districts.

Auditor – The financial statements of the District as of June 30, 2023 and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing within. See “APPENDIX A” for a copy of the District’s June 30, 2023, audited financial statements.

Utility System Operator – The System’s operator is the City of Conroe, Texas.

Engineer – The consulting engineer for the District is LJA Engineering, Inc. (the “Engineer”).

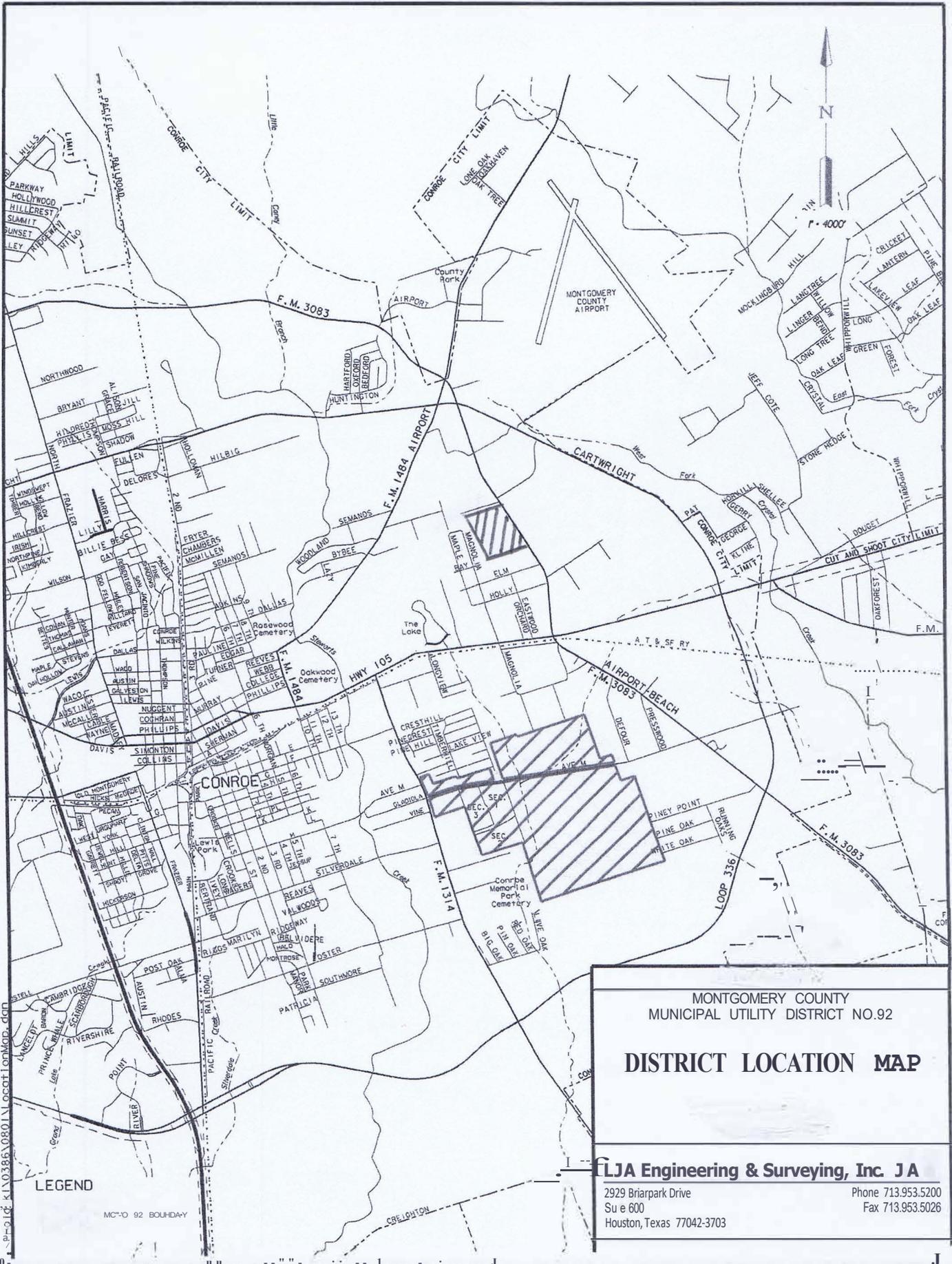
Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered.

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Norton Rose Fulbright US LLP, Houston, Texas, serves as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

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 in its portfolio. Funds of the District are invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.



MONTGOMERY COUNTY
MUNICIPAL UTILITY DISTRICT NO.92

DISTRICT LOCATION MAP

FLJA Engineering & Surveying, Inc. JA

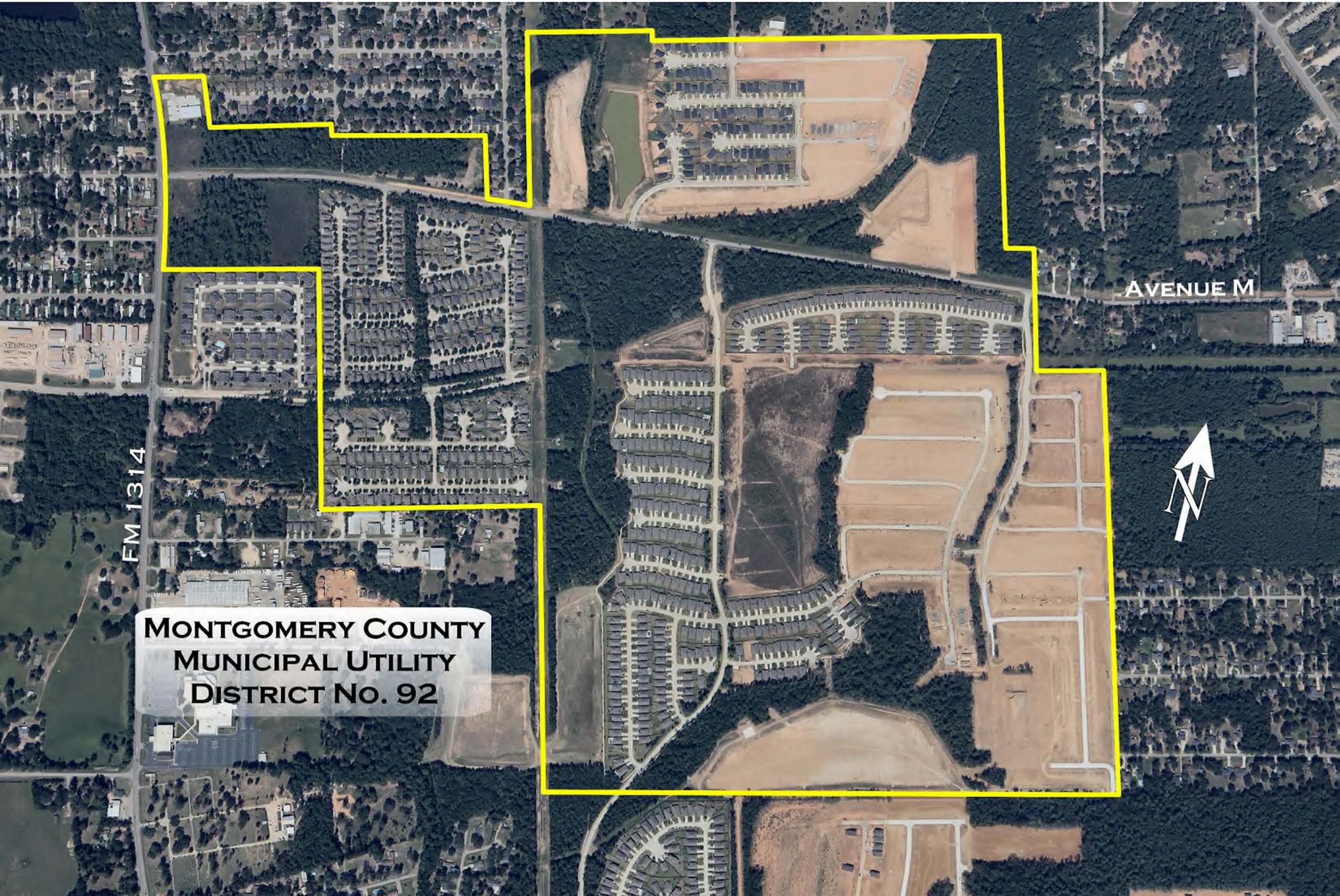
2929 Briarpark Drive Phone 713.953.5200
 Su e 600 Fax 713.953.5026
 Houston, Texas 77042-3703



**MONTGOMERY COUNTY
MUNICIPAL UTILITY
DISTRICT No. 92**

FM 3083

AERIAL PHOTOGRAPH 2 – HIDDEN CREEK, LADERA CREEK, AND HIDDEN CREEK PRESERVE SUBDIVISIONS



**MONTGOMERY COUNTY
MUNICIPAL UTILITY
DISTRICT No. 92**

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

	<u>Ended June 30 (a)</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES					
Property taxes	\$631,740	\$443,268	\$285,533	\$241,929	\$124,905
Investment income	\$25,601	\$1,319	\$215	\$2,180	\$1,819
Other income	-	-	-	-	\$2,420
TOTAL REVENUES	<u>\$657,341</u>	<u>\$444,587</u>	<u>\$285,748</u>	<u>\$244,109</u>	<u>\$129,144</u>
EXPENDITURES					
Services operations:					
Professional fees	\$87,318	\$96,075	\$75,268	\$61,225	\$37,960
Contracted services	\$17,102	\$17,150	\$14,185	\$15,350	\$15,175
Repairs and maintenance	\$67,380	\$27,733	\$18,297	\$14,278	\$19,814
Other expenditures	\$19,164	\$20,576	\$17,184	\$12,559	\$9,131
Debt service, debt issuance costs	-	-	\$6,800	\$28,391	-
TOTAL EXPENDITURES	<u>\$190,964</u>	<u>\$161,534</u>	<u>\$131,734</u>	<u>\$131,803</u>	<u>\$82,080</u>
Excess (Deficiency) of Revenues Over Expenditures	\$466,377	\$283,053	\$154,014	\$112,306	\$47,064
Other Financing Sources					
Interfund transfers in (out)	<u>(\$799,480)</u>	-	<u>\$28,391</u>	-	-
Excess of Revenues & Transfers In Over Expenditures & Transfer Out	(\$333,103)	\$283,053	\$182,405	\$112,306	\$47,064
Fund Balance, Beginning of Year	<u>\$712,207</u>	<u>\$429,154</u>	<u>\$246,749</u>	<u>\$134,443</u>	<u>\$87,379</u>
Fund Balance, End of Year (b)	<u><u>\$379,104</u></u>	<u><u>\$712,207</u></u>	<u><u>\$429,154</u></u>	<u><u>\$246,749</u></u>	<u><u>\$134,443</u></u>

(a) Per data provided in the District's audited financial statements. See "APPENDIX A" for the District's audited financial statements for the fiscal year ended June 30, 2023.

(b) As of April 4, 2024, the District's General Fund had an unaudited cash and investment balance of approximately \$801,645. For the Fiscal year ending June 30, 2024, the District's General Fund is budgeting revenues of \$637,343 and operating expenditures of \$170,150 plus capital expenditures to be funded with the General Fund of \$400,000 to the extent that General Fund cash is available.

DISTRICT DEBT

3/1/2023 Estimated Taxable Value	\$307,752,599	(a)
2023 Certified Taxable Value	\$270,858,549	(b)

Direct Debt		
Outstanding Bonds	\$12,645,000	
The Bonds	<u>\$6,100,000</u>	
Total Direct Debt	\$18,745,000	

Estimated Overlapping Debt	<u>\$21,446,400</u>	
Direct and Estimated Overlapping Debt	\$40,191,400	

Percentage of Direct Debt to:		
3/1/2023 Estimated Taxable Value	6.09%	
2023 Certified Taxable Value	6.92%	

Percentage of Direct and Estimated Overlapping Debt to:		
3/1/2023 Estimated Taxable Value	13.06%	
2023 Certified Taxable Value	14.84%	

2023 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.33	
Maintenance Tax	<u>\$0.25</u>	
Total 2023 Tax Rate	\$0.58	

-
- (a) Reflects the Estimated Taxable Value as of 3/1/2023, which was prepared by the MCAD or the Appraisal District and provided to the District.
- (b) Reflects the 2023 Certified Taxable Value according to data supplied by MCAD for informational purposes only. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping %</u>	<u>Overlapping Debt Amount</u>
Montgomery County	\$417,980,000	0.29%	\$1,203,958
Conroe Independent School District	\$2,014,950,000	0.49%	\$9,945,521
Lone Star Community College	\$542,435,000	0.09%	\$474,876
City of Conroe	\$520,665,000	1.89%	<u>\$9,822,045</u>
Total Estimated Overlapping Debt			\$21,446,400
The District (a)			<u>\$18,745,000</u>
Total Direct and Estimated Overlapping Debt			\$40,191,400

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2019 through 2023 as of April 4, 2024. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Year</u>	<u>Taxable Valuation</u>		<u>Tax Rate (a)</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections (b)</u>	<u>Year Ended September 30</u>
2023	\$270,858,549	(c)	\$0.58	\$1,570,980	97%	2024
2022	\$219,845,021		\$0.60	\$1,319,070	99%	2023
2021	\$145,174,130		\$0.60	\$871,045	100%	2022
2020	\$114,940,095		\$0.60	\$689,641	100%	2021
2019	\$96,136,789		\$0.60	\$576,821	100%	2020

(a) See "Tax Rate Distribution" herein.

(b) The District's current tax collections have exceeded 97% each year since inception.

(c) Reflects the 2023 Certified Taxable Value according to data supplied by MCAD for informational purposes only. See "TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed valuation at an election held on May 13, 2006. See "– Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2019 through 2023.

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Debt Service	\$0.33	\$0.31	\$0.29	\$0.35	\$0.35
Maintenance/Operations	<u>\$0.25</u>	<u>\$0.29</u>	<u>\$0.31</u>	<u>\$0.25</u>	<u>\$0.25</u>
Total	\$0.58	\$0.60	\$0.60	\$0.60	\$0.60

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2023 and the other information provided by this table were provided by MCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of MCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Lennar Homes of Texas Land & Construction Ltd. (a)	Lots/Houses	\$5,768,840	2.13%
Rausch Coleman Homes Houston LLC	Lots/Houses	\$2,338,660	0.86%
FKH SFR PROPCO I & H LP	Lots/Houses	\$1,917,240	0.71%
B&S Edwards Properties LTD	Land & Improvements	\$1,846,100	0.68%
ET 7 LP	Lots/Houses	\$1,757,950	0.65%
Stylecraft Builders Inc. (a)	Lots/Houses	\$1,334,000	0.49%
Homeowner	Land & Improvements	\$985,300	0.36%
Homeowner	Land & Improvements	\$934,820	0.35%
Homeowner	Land & Improvements	\$899,930	0.33%
Homeowner	Land & Improvements	<u>\$867,840</u>	<u>0.32%</u>
TOTAL TOP 10 VALUE		\$18,650,680	6.89%

(a) See "THE DISTRICT'S DEVELOPERS."

Analysis of Tax Base

Based on information provided to the District by MCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2019 through 2023.

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>	(a)
2023	\$63,044,720	\$229,204,894	\$436,816	\$292,686,430	\$21,827,881	\$270,858,549	
2022	\$45,133,580	\$199,367,710	\$177,367	\$244,678,657	\$24,833,636	\$219,845,021	
2021	\$32,106,410	\$118,707,090	\$102,196	\$150,915,696	\$5,741,566	\$145,174,130	
2020	\$20,079,950	\$100,040,180	\$218,011	\$120,338,141	\$5,398,046	\$114,940,095	
2019	\$14,154,950	\$86,734,770	\$477,827	\$101,367,547	\$5,230,758	\$96,136,789	

(a) Reflects the 2023 Certified Taxable Value according to data supplied by MCAD for informational purposes only. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2023 taxes levied by overlapping taxing jurisdictions and includes the District's 2023 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2023 Tax Rate</u>
Conroe Independent School District	\$0.96210
Montgomery County	\$0.36960
Lone Star Community College	\$0.10760
Montgomery County Hospital District	\$0.04980
City of Conroe	<u>\$0.42720</u>
Overlapping Taxes	\$1.91630
The District	<u>\$0.58000</u>
Total Direct & Overlapping Taxes	\$2.49630

Tax Adequacy of Tax Revenue

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

Maximum Annual Debt Service Requirements (2033)	\$1,402,687 (a)
Requires a \$0.48 debt service tax rate on the 3/1/2023 Estimated Taxable Value at 95% collections.....	\$1,403,352 (a)
Requires a \$0.55 debt service tax rate on the 2023 Certified Taxable Value at 95% collections	\$1,415,236 (a)

(a) Preliminary, subject to change.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See “RISK FACTORS – Future Debt.” The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption “THE BONDS – Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See “DISTRICT TAX DATA – Maintenance Tax.”

Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by MCAD. MCAD have the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Montgomery County Appraisal Review Board (the “Appraisal Review Board”). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$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 the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran’s residence homestead to which the disabled veterans’ exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

Tax Abatement

Either Montgomery County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City, Montgomery County, or the District at the option and discretion of each entity, may enter into tax abatement agreements with property owners within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement agreements, which each entity will follow in granting tax abatement agreements to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by MCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are 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 the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated

based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. 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 and land designated for agricultural use and six months for all other property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT, AND CONSOLIDATION

Annexation by the City of Conroe

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District. However, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within

the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

Strategic Partnership Agreement

The District entered into a strategic partnership agreement, dated July 18, 2016 (the "SPA"), with the City to provide the terms and conditions under which municipal service will be provided and funded by the parties, and under which the District will continue to exist for an extended period of time if the land within the District were to be annexed for full or limited purposes by the City. The terms of the SPA provide that the City may annex the District for limited purposes to collect the City's one percent sales and use taxes, and that the City may annex the District for full purposes 15 years from the date of the SPA, or when the District has constructed and financed 90 percent of its paving, water, wastewater and drainage infrastructure, whichever comes first. Thereafter, the District will continue as a "limited district" for the purpose of servicing its debt, operating its system, and other purposes described in the SPA. The District will thereafter be subject to the City's ad valorem taxation, as well as the ad valorem taxes of the District; provided that the City agrees to consider the impact of the City tax rate on the District's ability to finance its infrastructure debt, and will enter into an agreement to be negotiated at such time that will provide for a payment to the District by the City in consideration thereof.

Consolidation

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

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, a copy of which is available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from June 1, 2024, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable October 1, 2024, and each April 1 and October 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of the principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds, will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Optional Redemption

The Bonds maturing on and after April 1, 2030 are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2029, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Montgomery County, the City, or any entity other than the District.

Defeasance

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

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

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

Funds

The Bond Resolution confirms the District's Debt Service Fund, which is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, and any additional bonds payable from taxes which may be issued in the future by the District. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Registrar.

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developers for certain construction and land acquisition costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution or in accordance with TCEQ rules.

No Arbitrage

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

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, any outstanding bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing

business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

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 authorities, 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 authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them."

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds. No representation is made concerning other laws, rules, regulations, or investment criteria 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 \$62,000,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities, \$40,000,000 of refunding bonds, and \$11,500,000 of unlimited tax bonds for the costs of the design, construction, purchase and acquisition of recreational facilities and additions thereto, and the District could authorize additional amounts in the future. The District will have \$41,715,000 of unlimited tax bonds for water, sewer and drainage facilities, \$11,500,000 of unlimited tax bonds for recreational facilities, and \$39,880,000 of refunding bonds that will remain authorized, but unissued, after the issuance of the Bonds. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Further, the principal amount of bonds sold by the District for the costs of the design, construction, purchase and acquisition of recreational facilities and additions hereto is limited to one percent of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not more than three percent of the value of the taxable property in the District.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this

section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. 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 Standard & Poor's rating of AA+. 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 the Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities representing their ownership interests in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case

with Bonds 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/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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 none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include 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 Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. 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 limitation as to rate or amount, against all taxable property within the District; and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "ANNEXATION, STRATEGIC PARTNERSHIP AGREEMENT and CONSOLIDATION," "THE BONDS," "LEGAL MATTERS – Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and " – Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

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

The Internal Revenue Code of 1986, as amended (the "Code"), imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States, and a requirement that the District file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

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

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

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

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

NOT Qualified Tax-Exempt Obligations

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified 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 qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, 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 provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, engineering, and other related reports set forth in the 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.

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description and Location" and "THE DISTRICT – Status of Land Development/Land Uses in the District" (excluding house count data which has been provided by the Developer) and "– Current Status of Development," have been provided by LJA Engineering, Inc., and have been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by the Montgomery Central Appraisal District and by Assessments of the Southwest, Inc., in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of June 30, 2023 and for the year then ended, included in this offering document, have been audited by FORVIS, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's June 30, 2023 audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audited financial statements are required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027.

Certification as to Official Statement

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

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Underwriters.

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 statement in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Montgomery County Municipal Utility District No. 92 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



Montgomery County Municipal
Utility District No. 92
Montgomery County, Texas

**Independent Auditor's Report and
Financial Statements**

June 30, 2023



Montgomery County Municipal Utility District No. 92
June 30, 2023

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Independent Auditor's Report

Board of Directors
Montgomery County Municipal Utility District No. 92
Montgomery County, Texas

Opinions

We have audited the financial statements of the governmental activities and each major fund of Montgomery County Municipal Utility District No. 92 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance

and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedules required by the Texas Commission on Environmental Quality listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

FORVIS, LLP

Houston, Texas
November 10, 2023

Montgomery County Municipal Utility District No. 92

Management's Discussion and Analysis

June 30, 2023

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains supplementary information required by the Governmental Accounting Standards Board and by the District's state oversight agency, the Texas Commission on Environmental Quality (the Commission).

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, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. 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, liabilities, and deferred inflows and outflows of resources of 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, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' 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. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 year.

Montgomery County Municipal Utility District No. 92
Management's Discussion and Analysis (Continued)
June 30, 2023

Although the statement of activities looks different from a commercial enterprise's statement of income, 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 Funds

Governmental-fund financial statements consist of a balance sheet and a statement of revenues, expenditures and changes 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, sewer and drainage 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, liabilities, and deferred inflows and outflows of resources 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 is different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in the notes to financial statements that describes the adjustments to fund balances to arrive at net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in the notes to 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.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data found in the government-wide and fund financial statements.

Montgomery County Municipal Utility District No. 92
Management's Discussion and Analysis (Continued)
June 30, 2023

Financial Analysis of the District as a Whole

The District's overall financial position and activities for the past two years are summarized as follows, based on the information included in the government-wide financial statements.

Summary of Net Position

	2023	2022
Current and other assets	\$ 1,860,481	\$ 1,547,117
Capital assets	4,028,776	4,028,776
Total assets	5,889,257	5,575,893
Deferred outflows of resources	35,949	38,803
Total assets and deferred outflows of resources	\$ 5,925,206	\$ 5,614,696
Long-term liabilities	\$ 24,369,471	\$ 19,492,386
Other liabilities	206,397	92,753
Total liabilities	24,575,868	19,585,139
Net position:		
Net investment in capital assets	4,028,776	4,028,776
Restricted	748,034	528,615
Unrestricted	(23,427,472)	(18,527,834)
Total net position	\$ (18,650,662)	\$ (13,970,443)

The total net position of the District decreased by \$4,680,219, or about 34 percent. The majority of the decrease in net position is related to the conveyance of capital assets to another governmental entity. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At June 30, 2023, unrestricted net position was \$(23,427,472). This amount was negative because not all expenditures from long-term debt were for the acquisition of capital assets. The City of Conroe (the City) assumes the maintenance and other incidents of ownership of the underground utilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District.

Montgomery County Municipal Utility District No. 92
Management's Discussion and Analysis (Continued)
June 30, 2023

Summary of Changes in Net Position

	2023	2022
Revenues:		
Property taxes	\$ 1,322,176	\$ 870,070
City of Conroe rebate	14,703	11,023
Other revenues	110,112	9,104
Total revenues	1,446,991	890,197
Expenses:		
Services	224,198	244,882
Conveyance of capital assets	5,224,798	3,339,038
Debt service	678,214	513,188
Total expenses	6,127,210	4,097,108
Change in net position	(4,680,219)	(3,206,911)
Net position, beginning of year	(13,970,443)	(10,763,532)
Net position, end of year	\$ (18,650,662)	\$ (13,970,443)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended June 30, 2023, were \$1,720,591, an increase of \$221,149 from the prior year.

The general fund's fund balance decreased by \$333,103, primarily due to an interfund transfer to the capital projects fund.

The debt service fund's fund balance increased by \$134,532 due to property tax revenues generated exceeding bond principal and interest requirements.

The capital projects fund's fund balance increased by \$419,720. This increase was primarily due to proceeds from the sale of the Series 2022 bonds and an interfund transfer from the general operating fund exceeding capital outlay expenditures and debt issuance costs.

Montgomery County Municipal Utility District No. 92
Management's Discussion and Analysis (Continued)
June 30, 2023

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to property tax revenues and repairs and maintenance expenditures being greater than anticipated. In addition, an interfund transfer to the capital projects fund was not budgeted for. The fund balance as of June 30, 2023, was expected to be \$1,026,568 and the actual end-of-year fund balance was \$379,104.

Capital Assets and Related Debt

Capital Assets

The District conveys title of its water, sewer and drainage capital assets (exclusive of its storm water detention facilities) to the City pursuant to a utility agreement between the District and the City.

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

	<u>Capital Assets</u>	
	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 4,028,776	\$ 4,028,776

During the current year, there were no additions to capital assets.

The developer within the District has constructed water, sewer and drainage facilities on behalf of the District under the terms of developer financing agreements with the District. The District has agreed to reimburse the developer for these facilities, plus interest, from the proceeds of future bond issues subject to the approval of the Commission. As of June 30, 2023, a liability for developer-constructed capital assets of \$11,698,866 was recorded in the government-wide financial statements.

Debt

The changes in the debt position of the District during the fiscal year ended June 30, 2023, are summarized as follows:

Long-term debt payable, beginning of year	\$ 19,492,386
Increases in long-term debt	7,369,037
Decreases in long-term debt	(2,491,952)
Long-term debt payable, end of year	\$ 24,369,471

Montgomery County Municipal Utility District No. 92
Management's Discussion and Analysis (Continued)
June 30, 2023

At June 30, 2023, the District had \$47,815,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District, and \$11,500,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving recreational facilities within the District.

The District's bonds carry an underlying rating of "BBB" from Standard & Poor's. The Series 2020 and 2022 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp., and the Series 2021 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Conroe

Under existing Texas law, since the District lies wholly within the City, the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be dissolved by the City without the District's consent subject to certain restrictions in the Utility Functions and Services Allocation Agreement with the City. If the District is dissolved, the City must assume the District's assets and obligations (including the bonded indebtedness).

Contingencies

The developer of the District is constructing water, sewer and drainage facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$6,053,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Montgomery County Municipal Utility District No. 92
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 76,408	\$ 60,822	\$ 2,079	\$ 139,309	\$ -	\$ 139,309
Short-term investments	329,275	744,989	604,072	1,678,336	-	1,678,336
Property taxes receivable	15,370	18,152	-	33,522	-	33,522
Accrued penalty and interest	-	-	-	-	9,314	9,314
Interfund receivables	68,947	-	-	68,947	(68,947)	-
Capital assets, land and improvements	-	-	-	-	4,028,776	4,028,776
Total assets	<u>490,000</u>	<u>823,963</u>	<u>606,151</u>	<u>1,920,114</u>	<u>3,969,143</u>	<u>5,889,257</u>
Deferred Outflows of Resources						
Deferred amount on debt refundings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,949</u>	<u>35,949</u>
Total assets and deferred outflows of resources	<u>\$ 490,000</u>	<u>\$ 823,963</u>	<u>\$ 606,151</u>	<u>\$ 1,920,114</u>	<u>\$ 4,005,092</u>	<u>\$ 5,925,206</u>

Montgomery County Municipal Utility District No. 92
Statement of Net Position and Governmental Funds Balance Sheet (Continued)
June 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	\$ 95,526	\$ 1,190	\$ 338	\$ 97,054	\$ -	\$ 97,054
Accrued interest payable	-	-	-	-	109,343	109,343
Interfund payables	-	19,619	49,328	68,947	(68,947)	-
Long-term liabilities:						
Due within one year	-	-	-	-	350,000	350,000
Due after one year	-	-	-	-	24,019,471	24,019,471
Total liabilities	95,526	20,809	49,666	166,001	24,409,867	24,575,868
Deferred Inflows of Resources						
Deferred property tax revenues	15,370	18,152	0	33,522	(33,522)	0
Fund Balances/Net Position						
Fund balances:						
Restricted:						
Unlimited tax bonds	-	785,002	-	785,002	(785,002)	-
Water, sewer and drainage	-	-	556,485	556,485	(556,485)	-
Unassigned	379,104	-	-	379,104	(379,104)	-
Total fund balances	379,104	785,002	556,485	1,720,591	(1,720,591)	0
Total liabilities, deferred inflows of resources and fund balances	\$ 490,000	\$ 823,963	\$ 606,151	\$ 1,920,114		
Net position:						
Net investment in capital assets					4,028,776	4,028,776
Restricted for debt service					703,125	703,125
Restricted for capital projects					44,909	44,909
Unrestricted					(23,427,472)	(23,427,472)
Total net position					\$ (18,650,662)	\$ (18,650,662)

Montgomery County Municipal Utility District No. 92
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances
Year Ended June 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 631,740	\$ 678,324	\$ -	\$ 1,310,064	\$ 12,112	\$ 1,322,176
City of Conroe rebate	-	14,703	-	14,703	-	14,703
Penalty and interest	-	9,306	-	9,306	2,513	11,819
Investment income	25,601	28,140	6,347	60,088	-	60,088
Other income	-	-	36,305	36,305	1,900	38,205
Total revenues	<u>657,341</u>	<u>730,473</u>	<u>42,652</u>	<u>1,430,466</u>	<u>16,525</u>	<u>1,446,991</u>
Expenditures/Expenses						
Service operations:						
Professional fees	87,318	3,232	-	90,550	3,275	93,825
Contracted services	17,102	22,921	-	40,023	-	40,023
Repairs and maintenance	67,380	-	-	67,380	-	67,380
Other expenditures	19,164	3,092	714	22,970	-	22,970
Capital outlay	-	-	3,049,990	3,049,990	(3,049,990)	-
Conveyance of capital assets	-	-	-	-	5,224,798	5,224,798
Debt service:						
Principal retirement	-	220,000	-	220,000	(220,000)	-
Interest and fees	-	346,696	-	346,696	49,723	396,419
Debt issuance costs	-	-	281,795	281,795	-	281,795
Total expenditures/expenses	<u>190,964</u>	<u>595,941</u>	<u>3,332,499</u>	<u>4,119,404</u>	<u>2,007,806</u>	<u>6,127,210</u>
Excess (Deficiency) of Revenues Over Expenditures						
	<u>466,377</u>	<u>134,532</u>	<u>(3,289,847)</u>	<u>(2,688,938)</u>	<u>(1,991,281)</u>	
Other Financing Sources (Uses)						
Interfund transfers in (out)	(799,480)	-	799,480	-	-	
General obligation bonds issued	-	-	3,000,000	3,000,000	(3,000,000)	
Discount on debt issued	-	-	(89,913)	(89,913)	89,913	
Total other financing sources (uses)	<u>(799,480)</u>	<u>0</u>	<u>3,709,567</u>	<u>2,910,087</u>	<u>(2,910,087)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses						
	(333,103)	134,532	419,720	221,149	(221,149)	
Change in Net Position						
					(4,680,219)	(4,680,219)
Fund Balances/Net Position						
Beginning of year	712,207	650,470	136,765	1,499,442	-	(13,970,443)
End of year	<u>\$ 379,104</u>	<u>\$ 785,002</u>	<u>\$ 556,485</u>	<u>\$ 1,720,591</u>	<u>\$ 0</u>	<u>\$ (18,650,662)</u>

Montgomery County Municipal Utility District No. 92

Notes to Financial Statements

June 30, 2023

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Montgomery County Municipal Utility District No. 92 (the District) was created by an order of the Texas Commission on Environmental Quality (the Commission), effective October 27, 2004, in accordance with the provisions of Article XVI, Section 59, of the Texas Constitution. The District operates in accordance with Chapters 49 and 54, as amended, of the Texas Water Code and is subject to the continuing supervision of the Commission. The principal functions of the District are to finance and construct waterworks, wastewater and drainage facilities and to provide such facilities and services to the customers of the District. All services are provided by the City of Conroe (the City).

The District is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

The accompanying government-wide financial statements present the financial statements of the District. There are no component units that are legally separate entities for which the District is considered to be financially accountable. Accountability is defined as the District's substantive appointment of the voting majority of the component unit's governing board. Furthermore, to be financially accountable, the District must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific financial benefits to, or impose specific financial burdens on, the District.

Government-wide and Fund Financial Statements

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, such as the provision of water, wastewater, drainage and other related 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 with a column for adjustments to convert to the government-wide financial statements.

The government-wide financial statements report information on all of the activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues. The statement of activities reflects the revenues and expenses of the District.

Montgomery County Municipal Utility District No. 92

Notes to Financial Statements

June 30, 2023

The fund financial statements provide information about the District's governmental funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is directed to specific activities of the District.

The District presents the following major governmental funds:

General Fund – The general fund is the primary operating fund of the District which accounts for all financial resources not accounted for in another fund. Revenues are derived primarily from property taxes, charges for services and interest income.

Debt Service Fund – The debt service fund is used to account for financial resources that are restricted, committed or assigned to expenditures for principal and interest related costs, as well as the financial resources being accumulated for future debt service.

Capital Projects Fund – The capital projects fund is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Fund Balances – Governmental Funds

The fund balances for the District's governmental funds can be displayed in up to five components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the District's Board.

Assigned – Amounts intended to be used by the District for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications.

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Montgomery County Municipal Utility District No. 92
Notes to Financial Statements
June 30, 2023

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the District receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes and donations. Recognition standards are based on the characteristics and classes of nonexchange transactions. Revenues from property taxes are recognized in the period for which the taxes are levied. Donations are recognized as revenues, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met. Amounts received before all eligibility requirements have been met are reported as liabilities. Intergovernmental revenues are recognized as revenues, net of estimated refunds and uncollectible amounts, in the accounting period when an enforceable legal claim to the assets arises and the use of resources is required or is first permitted.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and liabilities are generally included on the balance sheet. The statement of governmental funds revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in spendable resources. General capital asset acquisitions are reported as expenditures and proceeds of long-term debt are reported as other financing sources. Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The District considers revenues reported in the governmental funds to be available if they are collectible within 60 days after year-end. Principal revenue sources considered susceptible to accrual include taxes, charges for services and investment income. Other revenues are considered to be measurable and available only when cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when payment is due.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Montgomery County Municipal Utility District No. 92
Notes to Financial Statements
June 30, 2023

Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay the amount and if there is the ability to repay the advance on a timely basis. Transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Pension Costs

The District does not participate in a pension plan and, therefore, has no pension costs.

Use of Estimates

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

Investments and Investment Income

Investments in certificates of deposit, U.S. Government and agency securities, and certain pooled funds, which have a remaining maturity of one year or less at the date of purchase, are recorded at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market values.

Investment income includes dividends and interest income and the net change for the year in the fair value of investments carried at fair value. Investment income is credited to the fund in which the investment is recorded.

Property Taxes

An appraisal district annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally, on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty and interest ultimately imposed for the year on the property. After the District receives its certified appraisal roll from the appraisal district, the rate of taxation is set by the Board of the District based upon the aggregate appraisal value. Taxes are due and payable October 1 or when billed, whichever is later, and become delinquent after January 31 of the following year.

Montgomery County Municipal Utility District No. 92

Notes to Financial Statements

June 30, 2023

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended June 30, 2023, include collections during the current period or within 60 days of year-end related to the 2022 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended June 30, 2023, the 2022 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

The District conveys its water, sewer and drainage capital assets (exclusive of its storm water detention facilities) to the City.

Deferred Amount on Debt Refundings

In the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt in a debt refunding is deferred and amortized to interest expense using the effective interest rate method over the remaining life of the old debt or the new debt, whichever is shorter. Such amounts are classified as deferred outflows or inflows of resources.

Debt Issuance Costs

Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflows of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts on bonds are recognized as a component of long-term liabilities and amortized over the life of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts on bonds during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Montgomery County Municipal Utility District No. 92
Notes to Financial Statements
June 30, 2023

Net Position/Fund Balances

Fund balances and net position are reported as restricted when constraints placed on them are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

The components of unrestricted net position at June 30, 2023, are as follows:

General fund, unrestricted fund balance, including deferred taxes	\$ 394,474
Long-term debt in excess of conveyed capital assets and unexpended bond proceeds	<u>(23,821,946)</u>
Total	<u><u>\$ (23,427,472)</u></u>

The District has financed water, sewer and drainage facilities, which have been assumed by the City for maintenance and other incidents of ownership, which has caused long-term debt to be in excess of capital assets.

Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for net position of governmental activities in the statement of net position and fund balances in the governmental funds balance sheet are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	\$ 4,028,776
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.	33,522
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.	9,314
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.	35,949

Montgomery County Municipal Utility District No. 92
Notes to Financial Statements
June 30, 2023

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	\$ (109,343)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.	<u>(24,369,471)</u>
Adjustment to fund balances to arrive at net position.	<u><u>\$ (20,371,253)</u></u>

Amounts reported for change in net position of governmental activities in the statement of activities are different from change in fund balances in the governmental funds statement of revenues, expenditures and changes in fund balances because:

Change in fund balances.	\$ 221,149
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capital assets is reported as conveyed capital assets, unless the facilities are maintained by the District. This is the amount by which conveyed capital assets and noncapitalized costs exceeded capital outlay expenditures in the current period.	(2,178,083)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	89,913
Governmental funds report proceeds from the sale of bonds because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. For the statement of activities, these transactions do not have any effect on net position.	(2,780,000)
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.	16,525
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 governmental funds.	<u>(49,723)</u>
Change in net position of governmental activities.	<u><u>\$ (4,680,219)</u></u>

Montgomery County Municipal Utility District No. 92
Notes to Financial Statements
June 30, 2023

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Texas; or certain collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.

At June 30, 2023, none of the District's bank balances were exposed to custodial credit risk.

Investments

The District may legally invest in obligations of the United States or its agencies and instrumentalities, direct obligations of Texas or its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, other obligations guaranteed as to principal and interest by the State of Texas or the United States or their agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, obligations of states, agencies and counties and other political subdivisions with an investment rating not less than "A," insured or collateralized certificates of deposit, and certain bankers' acceptances, repurchase agreements, mutual funds, commercial paper, guaranteed investment contracts and investment pools.

The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not registered with the Securities and Exchange Commission. The State Comptroller of Public Accounts of the State of Texas has oversight of TexPool.

At June 30, 2023, the District has the following investments and maturities:

Type	Maturities in Years				
	Amortized Cost	Less Than 1	1-5	6-10	More Than 10
TexPool	\$ 1,678,336	\$ 1,678,336	\$ 0	\$ 0	\$ 0

Montgomery County Municipal Utility District No. 92
Notes to Financial Statements
June 30, 2023

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy does not allow investments in certain mortgage-backed securities, collateralized mortgage obligations with a final maturity date in excess of 10 years and interest rate indexed collateralized mortgage obligations. The external investment pool is presented as an investment with a maturity of less than one year because it is redeemable in full immediately.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the District's investments in TexPool were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheet and statement of net position at June 30, 2023, as follows:

Carrying value:		
Deposits	\$	139,309
Investments		1,678,336
Total	\$	1,817,645

Investment Income

Investment income of \$60,088 for the year ended June 30, 2023, consisted of interest income.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2023, is presented below:

Governmental Activities	Balances, Beginning of Year	Additions	Balances, End of Year
Capital assets, non-depreciable:			
Land and improvements	\$ 4,028,776	\$ 0	\$ 4,028,776

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2023, were as follows.

Montgomery County Municipal Utility District No. 92
Notes to Financial Statements
June 30, 2023

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	\$ 10,215,000	\$ 3,000,000	\$ 220,000	\$ 12,995,000	\$ 350,000
Add premiums on bonds	438	-	32	406	-
Less discounts on bonds	245,735	89,913	10,847	324,801	-
	9,969,703	2,910,087	209,185	12,670,605	350,000
Due to developer	9,520,783	4,458,950	2,280,867	11,698,866	-
Developer advances	1,900	-	1,900	-	-
	9,969,703	2,910,087	209,185	12,670,605	350,000
Total governmental activities long-term liabilities	<u>\$ 19,492,386</u>	<u>\$ 7,369,037</u>	<u>\$ 2,491,952</u>	<u>\$ 24,369,471</u>	<u>\$ 350,000</u>

General Obligation Bonds

	Series 2015	Series 2017
Amounts outstanding, June 30, 2023	\$1,365,000	\$1,275,000
Interest rates	2.00% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	April 1, 2024/2038	April 1, 2024/2040
Interest payment dates	October 1/ April 1	October 1/ April 1
Callable dates*	April 1, 2022	April 1, 2022
	Refunding Series 2017A	Series 2020
Amounts outstanding, June 30, 2023	\$1,195,000	\$3,350,000
Interest rates	2.00% to 3.75%	2.00% to 4.50%
Maturity dates, serially beginning/ending	April 1, 2024/2033	April 1, 2024/2043
Interest payment dates	October 1/ April 1	October 1/ April 1
Callable dates*	April 1, 2023	April 1, 2025

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Montgomery County Municipal Utility District No. 92
Notes to Financial Statements
June 30, 2023

	Series 2021	Series 2022
Amounts outstanding, June 30, 2023	\$2,810,000	\$3,000,000
Interest rates	1.00% to 4.00%	4.50% to 7.50%
Maturity dates, serially beginning/ending	April 1, 2025/2044	April 1, 2026/2045
Interest payment dates	October 1/ April 1	October 1/ April 1
Callable dates*	April 1, 2029	April 1, 2027

*Or any date thereafter; callable at par plus accrued interest to the date of redemption.

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at June 30, 2023:

Year	Principal	Interest	Total
2024	\$ 350,000	\$ 437,373	\$ 787,373
2025	450,000	425,572	875,572
2026	560,000	409,385	969,385
2027	560,000	388,224	948,224
2028	590,000	366,861	956,861
2029-2033	3,380,000	1,500,593	4,880,593
2034-2038	3,365,000	932,665	4,297,665
2039-2043	3,100,000	380,374	3,480,374
2044-2045	640,000	33,963	673,963
Total	<u>\$ 12,995,000</u>	<u>\$ 4,875,010</u>	<u>\$ 17,870,010</u>

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

Bonds voted – water, sewer and drainage facilities	\$ 62,000,000
Bonds sold – water, sewer and drainage facilities	14,185,000
Bonds voted – recreational facilities	11,500,000
Refunding bonds voted	40,000,000
Refunding bonds authorization used	120,000

Montgomery County Municipal Utility District No. 92
Notes to Financial Statements
June 30, 2023

Due to Developer

The developer of the District has constructed detention facilities and underground utilities on behalf of the District. The District has conveyed the underground utilities to the City. The District's engineer estimates reimbursable costs for completed projects are \$11,698,866. The District has agreed to reimburse these amounts, plus interest, to the extent approved by the Commission from the proceeds of future bond sales. These amounts have been recorded in the financial statements as long-term liabilities.

Note 5: Significant Bond Resolution and Commission Requirements

- A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended June 30, 2023, the District levied an ad valorem debt service tax at the rate of \$0.3100 per \$100 of assessed valuation, which resulted in a tax levy of \$683,555 on the taxable valuation of \$220,501,604 for the 2022 tax year. The principal and interest requirements to be paid from the tax revenues and available resources are \$647,712, of which \$429,026 has been paid and \$218,686 is due October 1, 2023.
- B. In accordance with the Series 2021 Bond Resolution, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid. The balance of \$69,958 in the bond interest reserve was fully utilized in the current year.

Note 6: Maintenance Taxes

At an election held May 13, 2006, voters authorized a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation on all property within the District subject to taxation. During the year ended June 30, 2023, the District levied an ad valorem maintenance tax at the rate of \$0.2900 per \$100 of assessed valuation, which resulted in a tax levy of \$639,454 on the taxable valuation of \$220,501,604 for the 2022 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District.

Note 7: Agreement With the City of Conroe

The District operates pursuant to a Utility Functions and Services Allocation Agreement (the Utility Agreement) between the City and the District dated March 27, 2003, amended September 22, 2005 and June 9, 2022. Pursuant to the Utility Agreement, the City consented to the creation of the District within the city limits of the City, the District assumed responsibility for acquiring and constructing for the benefit of, and for ultimate conveyance to, the City, the water distribution,

Montgomery County Municipal Utility District No. 92

Notes to Financial Statements

June 30, 2023

wastewater collection and drainage facilities to serve development occurring within the boundaries of the District (the Facilities) and the City agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Utility Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity without capital charges of any kind.

Under the Utility Agreement, the District is authorized to issue bonds to finance the construction and acquisition of the Facilities. Before the District is authorized to issue bonds, the District must provide the City with a copy of the Commission Order authorizing issuance of the bonds and such order must provide that under the Commission's rules governing the issuance of bonds, it is feasible to sell the bonds at a District tax rate that does not exceed \$0.60 per \$100 of assessed valuation. However, the Utility Agreement expressly provides that such condition is not a limitation of the District's authority to levy an unlimited tax and that the District's bonds are secured by a pledge of the proceeds of an ad valorem tax without limit as to rate or amount.

The Utility Agreement provides that the City pay an annual rebate to the District. The annual rebate is equal to the total assessed value in the District for a given year multiplied by the portion of the City's tax rate that is attributable to water, sewer or drainage facilities. The annual rebate payment is to be deposited in the District's debt service fund. During the current year, the District recorded \$14,703 as rebate revenue from the City.

The City's right to dissolve the District is restricted under the Utility Agreement. Under the terms of the Utility Agreement, the City agrees that it will not dissolve the District until 90 percent of the District's Facilities have been developed and the developer advancing funds to construct the Facilities has been reimbursed.

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; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Montgomery County Municipal Utility District No. 92
Notes to Financial Statements
June 30, 2023

Note 9: Contingencies

The developer of the District is constructing water, sewer and drainage facilities within the boundaries of the District. The District has agreed to reimburse the developer for a portion of these costs, plus interest, from the proceeds of future bond sales, to the extent approved by the Commission. The District's engineer has stated that current construction contract amounts are approximately \$6,053,000. This amount has not been recorded in the financial statements since the facilities are not complete or operational.

Required Supplementary Information

Montgomery County Municipal Utility District No. 92
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 440,955	\$ 631,740	\$ 190,785
Investment income	1,500	25,601	24,101
Total revenues	<u>442,455</u>	<u>657,341</u>	<u>214,886</u>
Expenditures			
Service operations:			
Professional fees	69,000	87,318	(18,318)
Contracted services	16,700	17,102	(402)
Repairs and maintenance	26,100	67,380	(41,280)
Other expenditures	16,294	19,164	(2,870)
Total expenditures	<u>128,094</u>	<u>190,964</u>	<u>(62,870)</u>
Excess of Revenues Over Expenditures	314,361	466,377	152,016
Other Financing Uses			
Interfund transfers out	<u>-</u>	<u>(799,480)</u>	<u>(799,480)</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	314,361	(333,103)	(647,464)
Fund Balance, Beginning of Year	<u>712,207</u>	<u>712,207</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,026,568</u>	<u>\$ 379,104</u>	<u>\$ (647,464)</u>

Montgomery County Municipal Utility District No. 92
Notes to Required Supplementary Information
June 30, 2023

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during the fiscal year 2023.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America. The Budgetary Comparison Schedule - General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Supplementary Information

Montgomery County Municipal Utility District No. 92
Other Schedules Included Within This Report
June 30, 2023

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

- [X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-26
- [X] Schedule of Services and Rates
- [X] Schedule of General Fund Expenditures
- [X] Schedule of Temporary Investments
- [X] Analysis of Taxes Levied and Receivable
- [X] Schedule of Long-term Debt Service Requirements by Years
- [X] Changes in Long-term Bonded Debt
- [X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund –
Five Years
- [X] Board Members, Key Personnel and Consultants

Montgomery County Municipal Utility District No. 92

Schedule of Services and Rates

Year Ended June 30, 2023

1. Services provided by the District:

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input checked="" type="checkbox"/> Other <u>Facilities and services are provided by the City of Conroe.</u>		

2. Location of District: County(ies) in which District is locate Montgomery

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

City(ies) in which District is located City of Conroe

Is the District located within a city's extraterritorial jurisdiction (ETJ)? Entirely Partly Not at all

ETJs in which District is located. _____

Is the general membership of the Board appointed by an office outside the District? Yes No

If yes, by whom? _____

Montgomery County Municipal Utility District No. 92
Schedule of General Fund Expenditures
Year Ended June 30, 2023

Personnel (including benefits)		\$ -
Professional Fees		
Auditing	\$ 17,523	
Legal	57,093	
Engineering	12,002	
Financial advisor	700	
	87,318	
Purchased Services for Resale		
Bulk water and wastewater service purchases		-
Regional Water Fee		-
Contracted Services		
Bookkeeping	17,102	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	-	
Other contracted services	-	
	17,102	
Utilities		-
Repairs and Maintenance		67,380
Administrative Expenditures		
Directors' fees	3,900	
Office supplies	1,801	
Insurance	3,197	
Other administrative expenditures	10,266	
	19,164	
Capital Outlay		
Capitalized assets	-	
Expenditures not capitalized	-	
	-	
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
	-	
Total expenditures		\$ 190,964

Montgomery County Municipal Utility District No. 92
Schedule of Temporary Investments
June 30, 2023

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
<hr/>				
General Fund				
TexPool	5.09%	Demand	\$ 329,275	\$ -
Debt Service Fund				
TexPool	5.09%	Demand	744,989	-
Capital Projects Fund				
TexPool	5.09%	Demand	<u>604,072</u>	<u>-</u>
Totals			<u>\$ 1,678,336</u>	<u>\$ 0</u>

Montgomery County Municipal Utility District No. 92
Analysis of Taxes Levied and Receivable
Year Ended June 30, 2023

	Maintenance Taxes	Debt Service Taxes
	<hr/>	<hr/>
Receivable, Beginning of Year	\$ 9,790	\$ 11,620
Additions and corrections to prior years' taxes	<u>(2,134)</u>	<u>1,301</u>
Adjusted receivable, beginning of year	<hr/> 7,656	<hr/> 12,921
2022 Original Tax Levy	587,852	628,394
Additions and corrections	<u>51,602</u>	<u>55,161</u>
Adjusted tax levy	<hr/> 639,454	<hr/> 683,555
Total to be accounted for	647,110	696,476
Tax collections: Current year	(627,010)	(670,252)
Prior years	<u>(4,730)</u>	<u>(8,072)</u>
Receivable, end of year	<hr/> <u>\$ 15,370</u>	<hr/> <u>\$ 18,152</u>
Receivable, by Years		
2022	\$ 12,444	\$ 13,303
2021	1,046	979
2020	794	1,112
2016	239	784
2015	303	706
2014	275	641
2013	<u>269</u>	<u>627</u>
Receivable, end of year	<hr/> <u>\$ 15,370</u>	<hr/> <u>\$ 18,152</u>

Montgomery County Municipal Utility District No. 92
Analysis of Taxes Levied and Receivable (Continued)
Year Ended June 30, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Property Valuations				
Land	\$ 45,133,580	\$ 32,106,410	\$ 20,079,950	\$ 14,154,950
Improvements	199,367,700	118,338,370	100,040,180	86,734,760
Personal property	177,367	102,196	218,011	477,827
Exemptions	<u>(24,177,043)</u>	<u>(5,399,770)</u>	<u>(5,180,412)</u>	<u>(5,214,188)</u>
Total property valuations	<u>\$ 220,501,604</u>	<u>\$ 145,147,206</u>	<u>\$ 115,157,729</u>	<u>\$ 96,153,349</u>
Tax Rates per \$100 Valuation				
Debt service tax rates	\$ 0.3100	\$ 0.2900	\$ 0.3500	\$ 0.3500
Maintenance tax rates*	<u>0.2900</u>	<u>0.3100</u>	<u>0.2500</u>	<u>0.2500</u>
Total tax rates per \$100 valuation	<u>\$ 0.6000</u>	<u>\$ 0.6000</u>	<u>\$ 0.6000</u>	<u>\$ 0.6000</u>
Tax Levy	<u>\$ 1,323,009</u>	<u>\$ 870,884</u>	<u>\$ 690,946</u>	<u>\$ 576,921</u>
Percent of Taxes Collected to Taxes Levied**				
	<u>98%</u>	<u>99%</u>	<u>99%</u>	<u>100%</u>

*Maximum tax rate approved by voters: \$1.50 on May 13, 2006

**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Montgomery County Municipal Utility District No. 92
Schedule of Long-term Debt Service Requirements by Years
June 30, 2023

Due During Fiscal Years Ending June 30	Series 2015		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$ 75,000	\$ 46,575	\$ 121,575
2025	75,000	44,700	119,700
2026	75,000	42,638	117,638
2027	75,000	40,387	115,387
2028	75,000	38,044	113,044
2029	75,000	35,606	110,606
2030	75,000	33,075	108,075
2031	75,000	30,544	105,544
2032	100,000	27,919	127,919
2033	100,000	24,418	124,418
2034	100,000	20,794	120,794
2035	100,000	17,169	117,169
2036	115,000	13,544	128,544
2037	125,000	9,375	134,375
2038	125,000	4,687	129,687
Totals	\$ 1,365,000	\$ 429,475	\$ 1,794,475

Montgomery County Municipal Utility District No. 92
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2023

Due During Fiscal Years Ending June 30	Series 2017		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$ 50,000	\$ 46,187	\$ 96,187
2025	50,000	44,688	94,688
2026	50,000	43,187	93,187
2027	50,000	41,688	91,688
2028	75,000	40,187	115,187
2029	75,000	37,844	112,844
2030	75,000	35,406	110,406
2031	75,000	32,875	107,875
2032	75,000	30,250	105,250
2033	75,000	27,624	102,624
2034	75,000	24,813	99,813
2035	75,000	22,000	97,000
2036	75,000	19,000	94,000
2037	100,000	16,000	116,000
2038	100,000	12,000	112,000
2039	100,000	8,000	108,000
2040	100,000	4,000	104,000
	\$ 1,275,000	\$ 485,749	\$ 1,760,749
Totals	\$ 1,275,000	\$ 485,749	\$ 1,760,749

Montgomery County Municipal Utility District No. 92
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2023

Due During Fiscal Years Ending June 30	Refunding Series 2017A		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$ 100,000	\$ 40,348	\$ 140,348
2025	100,000	37,547	137,547
2026	110,000	34,548	144,548
2027	110,000	31,137	141,137
2028	115,000	27,618	142,618
2029	120,000	23,822	143,822
2030	125,000	19,743	144,743
2031	130,000	15,367	145,367
2032	135,000	10,688	145,688
2033	150,000	5,625	155,625
Totals	\$ 1,195,000	\$ 246,443	\$ 1,441,443

Montgomery County Municipal Utility District No. 92
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2023

Due During Fiscal Years Ending June 30	Series 2020		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$ 125,000	\$ 76,688	\$ 201,688
2025	125,000	71,062	196,062
2026	125,000	65,437	190,437
2027	125,000	62,937	187,937
2028	125,000	60,437	185,437
2029	125,000	57,938	182,938
2030	150,000	55,437	205,437
2031	150,000	52,438	202,438
2032	150,000	49,437	199,437
2033	150,000	46,437	196,437
2034	175,000	43,437	218,437
2035	175,000	39,938	214,938
2036	175,000	36,437	211,437
2037	175,000	32,721	207,721
2038	200,000	29,000	229,000
2039	200,000	24,750	224,750
2040	200,000	20,250	220,250
2041	225,000	15,750	240,750
2042	225,000	10,687	235,687
2043	250,000	5,625	255,625
	\$ 3,350,000	\$ 856,843	\$ 4,206,843
Totals	\$ 3,350,000	\$ 856,843	\$ 4,206,843

Montgomery County Municipal Utility District No. 92
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2023

Due During Fiscal Years Ending June 30	Series 2021		Total
	Principal Due April 1	Interest Due October 1, April 1	
2024	\$ -	\$ 77,700	\$ 77,700
2025	100,000	77,700	177,700
2026	100,000	73,700	173,700
2027	100,000	69,700	169,700
2028	100,000	65,700	165,700
2029	125,000	61,700	186,700
2030	120,000	56,700	176,700
2031	125,000	51,900	176,900
2032	125,000	46,900	171,900
2033	125,000	43,150	168,150
2034	150,000	39,400	189,400
2035	150,000	34,900	184,900
2036	150,000	30,400	180,400
2037	150,000	25,900	175,900
2038	150,000	21,400	171,400
2039	150,000	16,900	166,900
2040	175,000	12,400	187,400
2041	175,000	7,150	182,150
2042	175,000	5,400	180,400
2043	175,000	3,650	178,650
2044	190,000	1,900	191,900
	Totals	\$ 2,810,000	\$ 824,250
		\$ 2,810,000	\$ 3,634,250

Montgomery County Municipal Utility District No. 92
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2023

Due During Fiscal Years Ending June 30	Series 2022		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$ -	\$ 149,875	\$ 149,875
2025	-	149,875	149,875
2026	100,000	149,875	249,875
2027	100,000	142,375	242,375
2028	100,000	134,875	234,875
2029	100,000	128,625	228,625
2030	100,000	122,375	222,375
2031	125,000	117,875	242,875
2032	125,000	112,250	237,250
2033	125,000	106,625	231,625
2034	125,000	101,000	226,000
2035	150,000	95,375	245,375
2036	150,000	88,625	238,625
2037	150,000	81,125	231,125
2038	150,000	73,625	223,625
2039	175,000	66,500	241,500
2040	175,000	58,187	233,187
2041	200,000	49,875	249,875
2042	200,000	40,375	240,375
2043	200,000	30,875	230,875
2044	225,000	21,375	246,375
2045	225,000	10,688	235,688
Totals	<u>\$ 3,000,000</u>	<u>\$ 2,032,250</u>	<u>\$ 5,032,250</u>

Montgomery County Municipal Utility District No. 92
Schedule of Long-term Debt Service Requirements by Years (Continued)
June 30, 2023

Due During Fiscal Years Ending June 30	Annual Requirements For All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 350,000	\$ 437,373	\$ 787,373
2025	450,000	425,572	875,572
2026	560,000	409,385	969,385
2027	560,000	388,224	948,224
2028	590,000	366,861	956,861
2029	620,000	345,535	965,535
2030	645,000	322,736	967,736
2031	680,000	300,999	980,999
2032	710,000	277,444	987,444
2033	725,000	253,879	978,879
2034	625,000	229,444	854,444
2035	650,000	209,382	859,382
2036	665,000	188,006	853,006
2037	700,000	165,121	865,121
2038	725,000	140,712	865,712
2039	625,000	116,150	741,150
2040	650,000	94,837	744,837
2041	600,000	72,775	672,775
2042	600,000	56,462	656,462
2043	625,000	40,150	665,150
2044	415,000	23,275	438,275
2045	225,000	10,688	235,688
	Totals	\$ 12,995,000	\$ 4,875,010
		\$ 12,995,000	\$ 17,870,010

Montgomery County Municipal Utility District No. 92
Changes in Long-term Bonded Debt
Year Ended June 30, 2023

	Bond		
	Series 2015	Series 2017	Refunding Series 2017A
Interest rates	2.00% to 4.00%	2.00% to 4.00%	2.00% to 3.75%
Dates interest payable	October 1/ April 1	October 1/ April 1	October 1/ April 1
Maturity dates	April 1, 2024/2038	April 1, 2024/2040	April 1, 2024/2033
Bonds outstanding, beginning of current year	\$ 1,440,000	\$ 1,325,000	\$ 1,290,000
Bonds sold during current year	-	-	-
Retirements, principal	<u>75,000</u>	<u>50,000</u>	<u>95,000</u>
Bonds outstanding, end of current year	<u>\$ 1,365,000</u>	<u>\$ 1,275,000</u>	<u>\$ 1,195,000</u>
Interest paid during current year	<u>\$ 48,262</u>	<u>\$ 47,688</u>	<u>\$ 42,817</u>

Paying agent's name and address:

Series 2015 - Amegy Bank, a division of ZB, N.A., Houston, Texas

Series 2017 - Amegy Bank, a division of ZB, N.A., Houston, Texas

Series 2017A - Amegy Bank, a division of ZB, N.A., Houston, Texas

Series 2020 - Zions Bancorporation, N.A., Houston, Texas

Series 2021 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Series 2022 - The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	\$ 62,000,000	\$ 11,500,000	\$ 40,000,000
Amount issued	\$ 14,185,000	\$ -	\$ 120,000
Remaining to be issued	<u>\$ 47,815,000</u>	<u>\$ 11,500,000</u>	<u>\$ 39,880,000</u>

Debt service fund cash and temporary investment balances as of June 30, 2023: \$ 805,811

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 812,273

Issues

Series 2020	Series 2021	Series 2022	Total
2.00% to 4.50%	1.00% to 4.00%	4.50% to 7.50%	
October 1/ April 1	October 1/ April 1	October 1/ April 1	
April 1, 2024/2043	April 1, 2025/2044	April 1, 2026/2045	
\$ 3,350,000	\$ 2,810,000	\$ -	\$ 10,215,000
-	-	3,000,000	3,000,000
-	-	-	220,000
<u>\$ 3,350,000</u>	<u>\$ 2,810,000</u>	<u>\$ 3,000,000</u>	<u>\$ 12,995,000</u>
<u>\$ 76,688</u>	<u>\$ 77,700</u>	<u>\$ 62,448</u>	<u>\$ 355,603</u>

Montgomery County Municipal Utility District No. 92
Comparative Schedule of Revenues and Expenditures – General Fund
Five Years Ended June 30,

	Amounts				
	2023	2022	2021	2020	2019
General Fund					
Revenues					
Property taxes	\$ 631,740	\$ 443,268	\$ 285,533	\$ 241,929	\$ 124,905
Investment income	25,601	1,319	215	2,180	1,819
Other income	-	-	-	-	2,420
Total revenues	<u>657,341</u>	<u>444,587</u>	<u>285,748</u>	<u>244,109</u>	<u>129,144</u>
Expenditures					
Service operations:					
Professional fees	87,318	96,075	75,268	61,225	37,960
Contracted services	17,102	17,150	14,185	15,350	15,175
Repairs and maintenance	67,380	27,733	18,297	14,278	19,814
Other expenditures	19,164	20,576	17,184	12,559	9,131
Debt service, debt issuance costs	-	-	6,800	28,391	-
Total expenditures	<u>190,964</u>	<u>161,534</u>	<u>131,734</u>	<u>131,803</u>	<u>82,080</u>
Excess of Revenues Over Expenditures	466,377	283,053	154,014	112,306	47,064
Other Financing Sources (Uses)					
Interfund transfers in (out)	(799,480)	-	28,391	-	-
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	(333,103)	283,053	182,405	112,306	47,064
Fund Balance, Beginning of Year	<u>712,207</u>	<u>429,154</u>	<u>246,749</u>	<u>134,443</u>	<u>87,379</u>
Fund Balance, End of Year	<u>\$ 379,104</u>	<u>\$ 712,207</u>	<u>\$ 429,154</u>	<u>\$ 246,749</u>	<u>\$ 134,443</u>
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
96.1 %	99.7 %	99.9 %	99.1 %	96.7 %
3.9	0.3	0.1	0.9	1.4
-	-	-	-	1.9
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
13.3	21.6	26.3	25.1	29.4
2.6	3.9	5.0	6.3	11.8
10.3	6.2	6.4	5.9	15.3
2.9	4.6	6.0	5.1	7.1
-	-	2.4	11.6	-
<u>29.1</u>	<u>36.3</u>	<u>46.1</u>	<u>54.0</u>	<u>63.6</u>
<u>70.9 %</u>	<u>63.7 %</u>	<u>53.9 %</u>	<u>46.0 %</u>	<u>36.4 %</u>

Montgomery County Municipal Utility District No. 92
Comparative Schedule of Revenues and Expenditures – Debt Service Fund
Five Years Ended June 30,

	Amounts				
	2023	2022	2021	2020	2019
Debt Service Fund					
Revenues					
Property taxes	\$ 678,324	\$ 416,576	\$ 398,336	\$ 344,213	\$ 374,792
City of Conroe rebate	14,703	11,023	8,621	7,429	6,802
Penalty and interest	9,306	2,137	1,461	8,511	7,037
Investment income	28,140	1,424	531	6,701	9,295
Other income	-	160	200	10	86
Total revenues	<u>730,473</u>	<u>431,320</u>	<u>409,149</u>	<u>366,864</u>	<u>398,012</u>
Expenditures					
Current:					
Professional fees	3,232	7,843	1,668	2,193	2,797
Contracted services	22,921	17,084	18,199	10,332	11,051
Other expenditures	3,092	4,289	4,211	1,604	1,530
Debt service:					
Principal retirement	220,000	190,000	190,000	185,000	160,000
Interest and fees	<u>346,696</u>	<u>241,858</u>	<u>175,587</u>	<u>152,733</u>	<u>156,433</u>
Total expenditures	<u>595,941</u>	<u>461,074</u>	<u>389,665</u>	<u>351,862</u>	<u>331,811</u>
Excess (Deficiency) of Revenues Over Expenditures	134,532	(29,754)	19,484	15,002	66,201
Other Financing Sources					
General obligation bonds issued	<u>-</u>	<u>91,325</u>	<u>76,688</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	134,532	61,571	96,172	15,002	66,201
Fund Balance, Beginning of Year	<u>650,470</u>	<u>588,899</u>	<u>492,727</u>	<u>477,725</u>	<u>411,524</u>
Fund Balance, End of Year	<u>\$ 785,002</u>	<u>\$ 650,470</u>	<u>\$ 588,899</u>	<u>\$ 492,727</u>	<u>\$ 477,725</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
92.9 %	96.6 %	97.4 %	93.8 %	94.2 %
2.0	2.6	2.1	2.0	1.7
1.3	0.5	0.4	2.3	1.8
3.8	0.3	0.1	1.9	2.3
-	0.0	0.0	0.0	0.0
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
0.5	1.8	0.4	0.6	0.7
3.1	4.0	4.5	2.8	2.8
0.4	1.0	1.0	0.5	0.4
30.1	44.0	46.4	50.4	40.2
<u>47.5</u>	<u>56.1</u>	<u>42.9</u>	<u>41.6</u>	<u>39.3</u>
<u>81.6</u>	<u>106.9</u>	<u>95.2</u>	<u>95.9</u>	<u>83.4</u>
<u>18.4 %</u>	<u>(6.9) %</u>	<u>4.8 %</u>	<u>4.1 %</u>	<u>16.6 %</u>

Montgomery County Municipal Utility District No. 92
Board Members, Key Personnel and Consultants
Year Ended June 30, 2023

Complete District mailing address:	Montgomery County Municipal Utility District No. 92 c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027
District business telephone number:	713.860.6400
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 2, 2022
Limit on fees of office that a director may receive during a fiscal year:	\$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
John Schmid	Elected 05/20- 05/24	\$ 1,050	\$ 232	President
Linda Burroughs	Elected 05/22- 05/26	450	27	Vice President
Maribel Mounts	Elected 05/20- 05/24	1,050	232	Secretary
Michelle Schick	Elected 05/22- 05/26	1,050	0	Assistant Vice President
Bobby Villarreal	Elected 05/22- 05/26	300	63	Assistant Secretary

*Fees are the amounts actually paid to a director during the District's fiscal year.

Montgomery County Municipal Utility District No. 92
Board Members, Key Personnel and Consultants (Continued)
Year Ended June 30, 2023

Consultants	Date Hired	Fees and Expense Reimbursements	Title
Allen Boone Humphries Robinson LLP	04/25/05	\$ 60,368 93,729	General Counsel Bond Counsel
Assessments of the Southwest, Inc.	07/07/05	19,562	Tax Assessor/ Collector
FORVIS, LLP	04/02/09	30,223	Auditor
The GMS Group, L.L.C.	07/07/05	62,100	Financial Advisor
LJA Engineering, Inc.	03/02/06	168,940	Engineer
McLennan & Associates, LP	07/07/05	21,841	Bookkeeper
Montgomery Central Appraisal District	Legislative Action	5,420	Appraiser
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	03/02/06	0	Delinquent Tax Attorney
Investment Officer			
Jorge Diaz	03/02/17	N/A	Bookkeeper

FORVIS Internal Control Communication

Montgomery County Municipal Utility District No. 92

Communication Regarding Internal Control Related Matters Identified in an Audit

Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Montgomery County Municipal Utility District No. 92 as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinions on the financial statements.

However, this consideration was **not** for the purpose of expressing an opinion on the effectiveness of the District's internal control.

Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Categorizing Deficiencies by Severity

Deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.



Significant Deficiency

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented or detected and corrected on a timely basis.



The Board's Management Role and Responsibility for Controls

The District's management consists of an elected Board of Directors (Directors). Day-to-day operations are performed by private entities (Consultants) under contract with the District. The Directors supervise the performance of the Consultants; however, although Consultants can be part of the District's system of internal control, the Consultants are not members of management. Per auditing standards, management is responsible for design and implementation of the District's system of internal controls.

FORVIS

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

Identified Deficiencies

We identified certain deficiencies in internal control that we consider to be material weaknesses. Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Material Weaknesses

- Per auditing standards, one of the primary controls within the system of internal controls is related to the preparation of the financial statements. Management of the District is responsible for either preparing the financial statements or having the knowledge to determine whether the financial statements have been properly prepared and are free from potential misstatement. The absence of this expertise within management, or a Consultant of the District hired to perform this service, is considered by auditing standards to be a material weakness in internal control over financial reporting.
- During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to correct and present the financial statements on the government-wide basis of accounting. The inability of management, or a Consultant of the District hired to perform this service, to detect these necessary adjustments is considered by auditing standards to be a material weakness in internal control over financial reporting.
- Finally, management, or a Consultant of the District, does not prepare the capital asset register or post adjustments related to the presentation of the capital assets in the government-wide financial statements. As management is not preparing or reviewing and does not have the expertise to prevent, detect, and correct related significant potential misstatements, this is considered by auditing standards to be a material weakness in internal control over financial reporting.
- The material weaknesses noted above, if not corrected, could result in a material misstatement or omission of a required disclosure in the financial statements.

Management's Response

- The District's Directors are appointed or elected from the general population and do not necessarily have governmental accounting expertise. The Directors engage Consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional engineering services. The Directors do not believe the addition of an employee or a Consultant to perform the annual financial reporting process is necessary, nor would it be cost effective.

Distribution Restriction

This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:

- The Board of Directors
- Texas Commission on Environmental Quality



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APPENDIX B
PHOTOGRAPHS OF THE DISTRICT









APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

(To Be Included in the Final Official Statement, If Applicable)