

**OFFICIAL STATEMENT DATED OCTOBER 12, 2021**

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS OF THE BONDS FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER EXISTING STATUTES, REGULATIONS, PUBLISHED RULINGS, AND COURT DECISIONS, AND THAT THE BONDS ARE NOT SPECIFIED PRIVATE ACTIVITY BONDS. SEE “TAX MATTERS” HEREIN FOR A DISCUSSION OF BOND COUNSEL’S OPINION.

The District has designated the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein.

**NEW ISSUE—BOOK-ENTRY ONLY**  
CUSIP No. 059433

**RATINGS: Underlying “A-” (stable outlook) S&P**  
**Insured “AA” (stable outlook) S&P**

See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein

**\$6,285,000**

**BAMMEL UTILITY DISTRICT**

(A political subdivision of the State of Texas, located in Harris County, Texas)

**UNLIMITED TAX BONDS**

**SERIES 2021**

**Dated: November 1, 2021**

**Due: March 1 (as shown below)**

Interest on the Bonds (the “Bonds” or the “Series 2021 Bonds”) will accrue from November 1, 2021, and will be payable on March 1 and September 1 of each year, commencing March 1, 2022. 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., Dallas, Texas. See “REGISTRATION – Paying Agent/Registrar.”

**The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (“AGM”).**



**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>
\$160,000	2024	4.50%	0.60%	\$190,000	2029(b)	2.000%	1.30%
\$165,000	2025	4.50%	0.75%	\$195,000	2030(b)	2.000%	1.50%
\$170,000	2026	4.00%	0.90%	\$200,000	2031(b)	2.000%	1.70%
\$175,000	2027(b)	2.00%	1.00%	\$205,000	2032(b)	2.000%	1.90%
\$185,000	2028(b)	2.00%	1.15%	\$210,000	2033(b)	2.000%	2.00%

\$445,000 2.000% Term Bond Due March 1, 2035 to Yield 2.10% (a) (b) (c)  
 \$470,000 2.000% Term Bond Due March 1, 2037 to Yield 2.20% (a) (b) (c)  
 \$500,000 2.125% Term Bond Due March 1, 2039 to Yield 2.30% (a) (b) (c)  
 \$810,000 2.500% Term Bond Due March 1, 2042 to Yield 2.60% (a) (b) (c)  
 \$885,000 2.500% Term Bond Due March 1, 2045 to Yield 2.70% (a) (b) (c)  
 \$640,000 2.300% Term Bond Due March 1, 2047 to Yield 2.75% (a) (b) (c)  
 \$680,000 2.300% Term Bond Due March 1, 2049 to Yield 2.75% (a) (b) (c)

- (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 March 1, 2027, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 1, 2026, 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 a maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS—Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by Bammel Utility District (the “District”) to (1) reimburse a developer (as described herein) for certain development costs associated with a subdivision located in the District; (2) fund developer interest as approved by the Texas Commission on Environmental Quality (“TCEQ”); (3) fund certain District central plant facilities; and (4) pay issuance and administrative expenses associated with the sale of 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 – Sources of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston 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 Young & Brooks, Attorneys at Law, Houston, Texas, Bond Counsel. Certain other matters will be passed upon on behalf of the District by Allen Boone Humphries Robinson LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about November 17, 2021.

**TABLE OF CONTENTS**

**USE OF INFORMATION IN OFFICIAL STATEMENT .....1**

**UNDERWRITING .....1**

**NO REGISTRATION OR QUALIFICATION FOR SALE OF BONDS.....1**

**REGISTRATION .....1**

**MUNICIPAL BOND RATING .....2**

**BOND INSURANCE .....2**

**OFFICIAL STATEMENT SUMMARY .....5**

**SELECTED FINANCIAL INFORMATION .....8**

**DEBT SERVICE REQUIREMENTS .....9**

**INTRODUCTION ..... 10**

**RISK FACTORS..... 10**

**USE OF BOND PROCEEDS ..... 19**

**THE BONDS..... 20**

**BOOK-ENTRY-ONLY SYSTEM ..... 23**

**THE DISTRICT ..... 24**

**THE SYSTEM..... 29**

**THE DEVELOPER ..... 31**

**DISTRICT DEBT ..... 32**

**TAX DATA..... 33**

**TAXING PROCEDURES..... 35**

**ANNEXATION AND CONSOLIDATION..... 39**

**LEGAL MATTERS ..... 39**

**TAX MATTERS ..... 39**

**REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS ..... 42**

**CONTINUING DISCLOSURE OF INFORMATION..... 42**

**OFFICIAL STATEMENT ..... 43**

**ANNUAL FINANCIAL REPORT ..... A**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY ..... B**

## **USE OF INFORMATION IN OFFICIAL STATEMENT**

No dealer, broker, salesperson or other individual 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.

**Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM, supplied by AGM and presented under the heading "Bond Insurance" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."**

The following statement is provided by the Underwriters. In accordance with their responsibilities under the federal securities laws, the Underwriters have reviewed the information in this Official Statement but do not guarantee its accuracy or completeness.

## **UNDERWRITING**

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bid submitted to the District at a competitive sale; the Underwriter's bid reflects a price of 97.002242% plus accrued interest on the Bonds from the dated date to the date of delivery. Such price resulted in a net effective interest rate of 2.497259%. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Official Notice of Sale and Official Bid Form.

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.

## **NO REGISTRATION OR QUALIFICATION FOR SALE OF BONDS**

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be 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 or qualification provisions.

The Bonds have been sold to the Underwriter on the basis of its representation that the Bonds will be sold in states other than Texas only pursuant to exemptions from registration or qualification or that the Underwriter will, where necessary, register or qualify the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold.

## **REGISTRATION**

### **Paying Agent/Registrar:**

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The Bonds will be issued in fully registered form in multiples of \$5,000 for any one maturity, and principal and semi-annual interest will be paid by the District through the Paying Agent/Registrar. Principal will be payable to the registered holder at maturity or redemption upon presentation to the Paying Agent/Registrar. Interest will be payable by check or draft, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered holders as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date.

### **Successor Paying Agent/Registrar:**

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the

same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be either a national or state banking institution and shall be a corporation organized and doing business under the laws of the United States of America or of any State, shall be authorized under such laws to exercise trust powers, and shall be subject to supervision or examination by Federal or State banking authorities. Any successor Paying Agent/Registrar shall be selected by the District.

**Assignments, Transfers, and Exchange:**

In the event that Book-Entry is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar, and such registration (exclusive of any tax or governmental charge therefor) shall be at the expense of the District. A Bond may be assigned by execution of the assignment form printed on the Bond. A new Bond or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new registered owner) in exchange for such transferred and assigned Bonds not more than three days after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds must be in the denomination of \$5,000 for any one maturity, or any integral multiple thereof. The Bonds are transferable only on the bond register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount or maturity amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal office of the Registrar.

**Record Date:**

The record date ("Record Date") for the interest payable on any interest payment date means the 15th calendar day of the month next preceding such interest payment date.

**Record Date for Bonds to be Redeemed:**

Neither the District nor the Paying Agent/Registrar shall be required (1) to issue, transfer, or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing or (2) to transfer or exchange any Bond so selected for redemption in whole or in part when such redemption is scheduled to occur within 45 calendar days.

**MUNICIPAL BOND RATING**

S&P Global Ratings ("S&P") assigned an underlying municipal bond rating of "A-" (stable outlook) to this issue of Bonds based upon the District's underlying credit without 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 of the appropriateness of such rating. The underlying rating of the District to be released by S&P will be maintained by S&P in addition to the rating by virtue of bond insurance. See "BOND INSURANCE." The District can make no assurance that the 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.

S&P assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by AGM. The District can make no assurance that S&P's 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. See "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

**BOND INSURANCE**

**Bond Insurance Policy:**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

**Assured Guaranty Municipal Corp.:**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

#### *Capitalization of AGM*

At June 30, 2021:

- The policyholders' surplus of AGM was approximately \$2,943 million.
- The contingency reserve of AGM was approximately \$947 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,137 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Merger of Municipal Assurance Corp. ("MAC") into AGM*

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021); and

- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

*Miscellaneous Matters*

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

## 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:** Bammel Utility District Unlimited Tax Bonds, Series 2021 (the "Bonds" or the "Series 2021 Bonds"), issued pursuant to an order (the "Bond Order") of the Board of Directors of Bammel Utility District (the "District"). The Bonds will be dated November 1, 2021, with interest payable commencing March 1, 2022, and each September 1 and March 1, thereafter until the earlier of maturity or redemption. The Bonds mature on March 1 in the years as shown in the table on the cover page of this Official Statement. See "THE BONDS - General."
- Book-Entry-Only System:** The definitive 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, 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."
- Redemption Provisions:** Bonds maturing on or after March 1, 2027, are subject to early redemption, in whole or in part, on March 1, 2026, or on any date thereafter at the option of the District at a price of par plus accrued interest to the date of redemption. See "THE BONDS." The Bonds maturing on March 1 in the years 2035, 2037, 2039, 2042, 2045, 2047, and 2049 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on March 1 in the years 2034, 2036, 2038, 2040, 2043, 2046 and 2048 respectively. See "THE BONDS – Mandatory Redemption."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See "THE BONDS - Sources of and Security for Payment."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used: (1) reimburse a developer (as described herein) for certain development costs associated with a subdivision located in the District; (2) fund developer interest as approved by the TCEQ; (3) fund certain District central plant facilities; and (4) pay issuance and administrative expenses associated with the sale of the Bonds. See "USE OF BOND PROCEEDS."
- Municipal Bond Rating:** S&P assigned an underlying municipal bond rating of "A-" (stable outlook) to this issue of Bonds based upon the District's underlying credit without 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 of the appropriateness of such rating. The underlying rating of the District to be released by S&P will be maintained by S&P in addition to the rating by virtue of bond insurance. See "BOND INSURANCE." The District can make no assurance that the 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. See "MUNICIPAL BOND RATING."
- Municipal Bond Insurance:** S&P assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by AGM. The District can make no assurance that S&P's 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. See "BOND INSURANCE," "APPENDIX B – Specimen Municipal Bond Insurance Policy" and "MUNICIPAL BOND RATING."
- Qualified Tax-Exempt Obligations:** The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2021 is reasonably expected to not exceed \$10,000,000 and that it will not designate more than \$10,000,000 of qualified tax-exempt obligations during the calendar year 2021. See "TAX MATTERS -- Qualified Tax-Exempt Obligations for Financial Institutions."

- Authorized But Unissued Bonds:** After the issuance of the Bonds, the District will have \$13,540,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes. See "THE BONDS – Authority for Issuance."
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.
- Legal Opinion:** Young & Brooks, Attorneys at Law, Bond Counsel, Houston, Texas. See "LEGAL MATTERS."
- Payment Record:** The District has never defaulted on payment of principal of or interest on its bonded indebtedness.
- 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 section captioned "RISK FACTORS."

### THE DISTRICT

**Description:** The District is a municipal utility district created by Special Act of the 61<sup>st</sup> Texas Legislature, effective on May 27, 1969, and codified as Chapter 8106 of the Special District Local Laws Code. The District containing approximately 449 acres, lies entirely within Harris County and exclusively within the extraterritorial jurisdiction of the City of Houston. The District is located in northwest Harris County approximately 18 miles Northwest of Houston's Central Business District. Stuebner-Airline Road bounds the District on the west. FM 1960 bounds the District on the south. The District reaches to the center of Cypress Creek on the north. The District is within the Spring Independent School District. Land within the District has been developed principally as the residential subdivisions of Olde Oaks, Section 2, Oak Creek Village, Sections 1 – 4, Cypress Creek Landing, Section's 1 – 5; and Stuebner Hollow, Section's 1 – 3. The District also includes approximately 15 commercial connections and 2 public schools. See "THE DISTRICT."

**Development:** As of September 1, 2021, there were approximately 1,098 single family homes completed or under construction (approximately 1,020 were occupied as of September 1, 2021) and 149 vacant developed lots.

Commercial development in the District consists of 15 commercial connections including: 3 low rise office buildings, 2 doctor's offices, a children's learning center, a restaurant, a bakery, 3 stand-alone businesses, 2 bank locations, and a strip center. Additionally, the district serves an elementary school and a middle school. See "THE DISTRICT – Current Status of Residential Building in the District" and "– Existing Commercial Building Development."

**Current Developers:** KB Home Lone Star, Inc., a Texas corporation ("KB Home Lone Star") and indirect wholly-owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "KBH", is the developer of approximately 61 acres (274 lots) in the Cypress Creek Landing subdivision within the District. KB Home Lone Star has completed the construction of, or has homes under construction, on 156 single-family residential lots in Cypress Creek Landing.

Rausch Coleman Homes ("RCH") is the land developer/home builder in the Stuebner Hollow subdivision. RCH currently has 98 homes that are completed or under construction.

**Infectious Disease Outlook (COVID-19):** In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor



issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions. See "RISK FACTORS – Infectious Disease Outlook (COVID-19)".

**Extreme Weather  
Events; Hurricane  
Harvey:**

The Houston area, including Harris County, is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017 and brought historic levels of rainfall during the succeeding four days. According to the observations of the District's Operator and the District's Engineer, the District's System did not sustain any significant damage. According to the members of the Board of Directors approximately 5-10 homes experienced flooding during Hurricane Harvey; all of those homes have been rehabilitated except for one home. Additionally, according to the District records during the last 5 years approximately 15 homes in the District experienced some flooding during different Houston area rain events; all of those homes have been rehabilitated.

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

**SELECTED FINANCIAL INFORMATION**

(Unaudited)

6/1/2021 Estimated Taxable Value	\$236,861,171	(a)
2021 Taxable Value	\$206,873,103	(b)
Direct Debt (See "DISTRICT DEBT")		
The Bonds	<u>\$6,285,000</u>	
Total Direct Debt	\$6,285,000	
Estimated Overlapping Debt		
Direct and Estimated Overlapping Debt	<u>\$9,169,902</u>	
Estimated Overlapping Debt		
Direct and Estimated Overlapping Debt	\$15,454,902	
Percentage of Direct Debt to:		
6/1/2021 Estimated Taxable Value	2.65%	
2021 Taxable Value	3.04%	
See "DISTRICT DEBT"		
Percentage of Direct Overlapping Debt to:		
6/1/2021 Estimated Taxable Value	6.52%	
2021 Taxable Value	7.47%	
See "DISTRICT DEBT"		
2021 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.00	
Maintenance Tax	<u>\$0.37</u>	
Total 2021 Tax Rate	\$0.37	
Cash and Investment Balance		
Approximate General Fund (as of 9/2/2021)	\$2,575,324	
Approximate Debt Service Fund	\$188,550	(c)

- 
- (a) Reflects data supplied by the Harris County Appraisal District ("HCAD"). The Estimated Taxable Value as of 6/1/2021 was prepared by HCAD and provided to the District. Such value is not binding on HCAD, and any new value (subsequent to January 1, 2021) will not be included on the District's tax roll until the 2022 tax roll is prepared and certified by HCAD during the second half of 2022. See "TAX DATA" and "TAX PROCEDURES."
- (b) The 2021 Taxable Value was prepared by HCAD and provided to the District. Such amount reflects the taxable value of property that has been fully certified by HCAD (\$167,445,140) and 85% of the additional taxable value of property still in the process of being certified (\$48,738,781) that HCAD believes will ultimately be certified in the 2021 tax roll. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Represents the approximate cash and investment balance in the Debt Service Fund as of the day of closing of the Bonds; such amount will be funded with bond proceeds. Neither Texas law nor the District's Bond Order requires the District to maintain any particular balance in the Debt Service Fund.

**DEBT SERVICE REQUIREMENTS**

The following sets forth the debt service requirements on the Bonds.

<u>Year</u>	<u>Series 2021 Bonds</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2022		\$125,237	\$125,237
2023		\$150,285	\$150,285
2024	\$160,000	\$146,685	\$306,685
2025	\$165,000	\$139,372	\$304,372
2026	\$170,000	\$132,260	\$302,260
2027	\$175,000	\$127,110	\$302,110
2028	\$185,000	\$123,510	\$308,510
2029	\$190,000	\$119,760	\$309,760
2030	\$195,000	\$115,910	\$310,910
2031	\$200,000	\$111,960	\$311,960
2032	\$205,000	\$107,910	\$312,910
2033	\$210,000	\$103,760	\$313,760
2034	\$220,000	\$99,460	\$319,460
2035	\$225,000	\$95,010	\$320,010
2036	\$230,000	\$90,460	\$320,460
2037	\$240,000	\$85,760	\$325,760
2038	\$245,000	\$80,756	\$325,756
2039	\$255,000	\$75,444	\$330,444
2040	\$260,000	\$69,485	\$329,485
2041	\$270,000	\$62,860	\$332,860
2042	\$280,000	\$55,985	\$335,985
2043	\$285,000	\$48,922	\$333,922
2044	\$295,000	\$41,672	\$336,672
2045	\$305,000	\$34,172	\$339,172
2046	\$315,000	\$26,737	\$341,737
2047	\$325,000	\$19,377	\$344,377
2048	\$335,000	\$11,787	\$346,787
2049	<u>\$345,000</u>	<u>\$3,967</u>	<u>\$348,967</u>
<b>TOTALS</b>	<b>\$6,285,000</b>	<b>\$2,405,613</b>	<b>\$8,690,613</b>

Maximum Annual Debt Service Requirements (2049)..... \$348,967

\$0.16 Tax Rate on the 6/1/2021 Estimated Taxable Value of \$236,861,171  
 @ 95% collections produces.....\$360,029

\$0.18 Tax Rate on the 2021 Certified Taxable Value of \$206,873,103  
 @ 95% collections produces.....\$353,753

## OFFICIAL STATEMENT

relating to

**\$6,285,000**

**BAMMEL UTILITY DISTRICT**

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

**UNLIMITED TAX BONDS, SERIES 2021**

### **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance of Bammel Utility District Unlimited Tax Bonds, Series 2021 (the "Bonds" or the "Series 2021 Bonds").

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly the Texas Water Code, as amended, and pursuant to an order (the "Bond Order") adopted by the Board of Directors (the "Board") of Bammel Utility District (the "District").

This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition. 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 the District's Bond Counsel upon payment of costs of duplication thereof.

### **RISK FACTORS**

#### **General:**

The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, 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, on all taxable property within the District. See "THE BONDS – Sources 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 justify the continued payment of taxes by property owners.

#### **Infectious Disease Outlook (COVID-19):**

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and may continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant fluctuations attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, 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 within the District. 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.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are generally as of dates and for portions of periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

### **Extreme Weather Events; Hurricane Harvey:**

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

According to the District's Operator, the system serving the District did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. According to the members of the Board of Directors and District records approximately 5-10 homes experienced flooding during Hurricane Harvey; all of those homes except for 1 have been rehabilitated. The District is not aware of any other homes that were abandoned. Additionally, according to district records approximately 15 other homes experienced some flooding during different Houston area rain events over the past 5 years. All of those home have been rehabilitated

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

### **Marketability:**

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the 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 Collection Limitations:**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

### **Registered Owners' Remedies:**

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages was 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 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 Texas Commission on Environmental Quality (the "TCEQ") investigates the financial condition of the District and authorizes 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.

**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 Houston metropolitan area has, in the past, experienced slower/negative job growth, increased unemployment, business failures and slow absorption of office space during periods of relatively low or fluctuating oil and natural gas prices. Certain of these factors are showing signs of recurring in the Harris County area economy. These factors could affect the demand for new residential home construction and commercial development and hence the growth and maintenance 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 homebuilding plans altogether.

The maintenance of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by short and long-term interest rates, consumer demand, foreclosure rates, availability of mortgage and development funds, and labor conditions and general economic conditions. Currently, building in the Houston area has slowed as a result of general economic conditions and the tightening of criteria for mortgage lending nationwide. A return to relatively high mortgage interest rates similar to those experienced in the past or a decline in mortgage availability may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand for homes within the District. Commercial building in the District could be adversely affected by such economic developments. High foreclosure rates may also affect mortgage lenders' willingness to accept risks and potential borrowers' ability to qualify for loans. The inability to qualify for mortgages may negatively affect some sales and the rate of growth of taxable values in the District.

**Landowners/Developers under No Obligation to the District:**

There are no commitments from or obligations of any landowner or the Developers (as defined herein) within the District 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, and there is no restriction on any landowner's or Developer's right to sell their land.

### **Maintenance of District Tax Rates:**

The District's 2021 maintenance tax rate is \$0.37 per \$100 of assessed valuation. The maintenance of the District's tax base is directly related to the housing industry in general. The housing industry has historically been a cyclical industry, affected by short-term and long-term interest rates, demand for developed property, availability of mortgage and development funds, labor conditions, and general economic conditions. In the 1980s and again in 2007 – 2010 the downturn in the Houston economy and concurrent increases in unemployment substantially reduced the demand for housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The demand for single family homes in the District, which is approximately 15 miles from downtown Houston, also could be affected by competition from nearby residential developments. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Houston that have been on the market for an extended period of time.

Both the local demand for, and the sale of single-family homes are affected by most of the factors discussed herein and will directly affect the maintenance of taxable values in the District and the ability of the District to raise tax revenues sufficient to pay its debt service requirements.

Assuming no further construction of residential, multi-family and/or commercial projects within the District other than those which have heretofore 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 issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds will be \$348,967 (2049). Assuming no increase or decrease from the 6/1/2021 Taxable Value of \$236,861,171 and no use of other District funds, a District tax rate of \$0.16 per \$100 of assessed valuation at 95% collection would be necessary to pay the Maximum Annual Debt Service Requirements. Assuming no increase or decrease from the 2021 Taxable Value of \$206,873,103 and no use of other District funds, a District tax rate of \$0.18 per \$100 of assessed valuation at 95% collection would be necessary to pay the Maximum Annual Debt Service Requirements. See "TAX DATA - Tax Rate Calculations."

### **Future Debt:**

After the issuance of the Bonds, the District will have \$13,540,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes. All such bonds that will remain authorized but unissued can be issued subject to the approval of the Attorney General of the State of Texas and in the case of new money bonds, subject to the approval of the TCEQ.

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 to issue refunding bonds as approved by the Board. Any such additional new money bonds and refunding bonds would be issued on parity with the Bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. According to the Engineer, such bond authorization should be adequate to finance the District's share of development costs to allow for the full development of land within the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds described above which have heretofore been authorized by the voters of the District, may be issued by the District from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of 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 recreational facilities bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of recreational facilities bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. Also, 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 may not exceed an amount equal to three percent of the value of taxable property in the District. The Board has not discussed and presently has no plans to hold an election authorizing the issuance of recreational facilities bonds and authorizing a recreational facilities maintenance tax.

Current law may be changed in a manner to increase the amount of bonds which may be issued for such purposes 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 Order 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 Regulation and Air Quality:

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 three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, 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.

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court's ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. 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 "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. 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), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It 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 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

On July 30, 2021, the EPA and USACE announced plan to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

### **Bond Insurance Investment Considerations:**

If a bond insurance policy is obtained securing principal of and interest on the Bonds, then 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 optional redemption 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 optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Default of payment of principal of and interest on the Bonds does not accelerate 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 governing insolvency of insurance companies.

Neither the District nor 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.

### **Severe Weather:**

The District is located approximately 60 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 multiple storms exceeding a 0.2% probability (*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.

### **Specific 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.

**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% 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 Following Disaster:**

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, 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. See "TAXING PROCEDURES."

**Harris County and City of Houston Floodplain Regulations:**

As a direct result of Hurricane Harvey, Harris County and the City of Houston adopted new rules and amended existing regulations relating to minimizing the potential impact of new development on drainage and mitigating flooding risks. The new and amended Harris County regulations took effect on January 1, 2018, and the new and amended City of Houston regulations took effect on September 1, 2018.

The Harris County floodplain regulations (which currently apply within the District) govern construction projects in unincorporated Harris County and include regulations governing the elevation of structures in the 100-year and 500-year floodplains. Additionally, the Harris County regulations govern the minimum finished floor elevations as well as specific foundation construction requirements and windstorm construction requirements for properties located both above and below the 100-year flood elevation.

The City of Houston floodplain regulations (which currently do not apply within the District) govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements meet the new and amended City of Houston regulations.

The new and amended regulations may have a negative impact on new development in the District.

**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.

**Proposed Legislation:**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could later or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the bonds or otherwise prevent holders of the bonds from realizing the full benefit of the tax exemption of interest on the bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

**USE OF BOND PROCEEDS**

Proceeds from the sale of the Bonds will be used: (1) reimburse a developer (as described herein) for certain development costs associated with a subdivision located in the District; (2) fund developer interest as approved by the TCEQ; (3) fund certain District central plant facilities; and (4) pay issuance and administrative expenses associated with the sale of the Bonds. 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 as approved by the TCEQ is as follows:

<b><u>CONSTRUCTION COSTS:</u></b>	<b><u>Total Costs</u></b> (a)
<b><i>Developer Construction Items</i></b>	
Cypress Creek Landing Lift Station	\$362,919
Cypress Creek Landing Phase I Detention	\$721,529
Cypress Creek Landing Phase II Detention	\$250,254
Cypress Creek Landing Phase I - Clearing & Grubbing	\$142,335
Cypress Creek Landing Phase II - Clearing & Grubbing	\$76,238
Cypress Creek Landing Section 1 - W/WW/D	\$369,817
Cypress Creek Landing Section 2 - W/WW/D	\$212,520
Cypress Creek Landing Section 3 - W/WW/D	\$272,132
Engineering & Surveying Services	\$419,669
Material Testing Services	\$43,680
Erosion Control Consultant	\$59,097
Cypress Creek Landing Detention Land Costs	\$234,164
<b><i>Total Construction Costs:</i></b>	<b><u>\$3,164,354</u></b>
 <b><i>District Items</i></b>	
Water Plant No. 1 Improvements	\$1,663,200
Contingencies	\$202,020
Engineering & Surveying Services	\$279,783
<b><i>Total District Items</i></b>	<b><u>\$2,145,003</u></b>
 <b>TOTAL CONSTRUCTION COSTS</b>	 <b><u>\$5,309,357</u></b>
 <b><u>NON-CONSTRUCTION COSTS:</u></b>	
Legal Fees	\$162,125
Fiscal Agent Fees	\$125,700
Capitalized Interest	\$188,550
Developer Interest	\$179,509
Bond Discount	\$188,409
Bond Issuance Expense	\$64,211
Bond Application Report Costs	\$45,000
Attorney General's Fee	\$6,285
TCEQ Bond Issuance Fee	\$15,713
Contingency	\$141 (b)
<b>TOTAL NON-CONSTRUCTION COSTS:</b>	<b><u>\$975,643</u></b>
 <b>TOTAL BOND ISSUE REQUIREMENT</b>	 <b><u>\$6,285,000</u></b>

---

(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. See "THE SYSTEM - Description of the System."

(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 BONDS

### General:

The Bonds are dated November 1, 2021. The Bonds will mature on March 1 in the years and in the amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on March 1, 2022, and each September 1 and March 1 thereafter until maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bond Order 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.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of 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.

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.

### Authority for Issuance:

The Bonds are issued pursuant to the authority of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and an Order of the TCEQ. After the issuance of the Bonds, the District will have \$13,540,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes.

### Optional Redemption:

The Bonds scheduled to mature on or after March 1, 2027, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on March 1, 2026, 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. If fewer than all of the Bonds are redeemed at any time, the District shall determine the maturity or maturities and the amounts thereof to be redeemed. If fewer than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar shall select the Bonds to be so redeemed by lot or other random selection method.

Notice of each exercise of the right of redemption will be given by the Paying Agent/Registrar at least 30 calendar days prior to the date fixed for redemption in the manner specified in the Bond Order. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

### Mandatory Redemption:

The Bonds maturing March 1 in the years 2035, 2037, 2039, 2042, 2045, 2047 and 2049 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

#### \$445,000 Term Bonds, due March 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2034	\$220,000
March 1, 2035 (maturity)	\$225,000

#### \$470,000 Term Bonds, due March 1, 2037

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
March 1, 2036	\$230,000
March 1, 2037 (maturity)	\$240,000

**\$500,000 Term Bonds, due March 1, 2039**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2038	\$245,000
March 1, 2039 (maturity)	\$255,000

**\$810,000 Term Bonds, due March 1, 2042**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2040	\$260,000
March 1, 2041	\$270,000
March 1, 2042 (maturity)	\$280,000

**\$885,000 Term Bonds, due March 1, 2045**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2043	\$285,000
March 1, 2044	\$295,000
March 1, 2045 (maturity)	\$305,000

**\$640,000 Term Bonds, due March 1, 2047**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2046	\$315,000
March 1, 2047 (maturity)	\$325,000

**\$680,000 Term Bonds, due March 1, 2049**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2048	\$335,000
March 1, 2049 (maturity)	\$345,000

**Notice of Redemption; Partial Redemption:**

While the Bonds are in book-entry-only form, pursuant to the Bond Order, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption in the manner specified in the Bond Order. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

**Sources of and Security for Payment:**

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property located within the District. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. In the Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will be deposited in the District's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue.

### **Defeasance:**

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption of (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct 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. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

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

### **Funds:**

The Bond Order confirms the establishment of the District's Debt Service Fund. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, and any of the District's duly authorized additional bonds. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to pay the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

### **Issuance of Additional Debt:**

If authorized by the District's voters and with the approval of the TCEQ, the District may issue bonds necessary to provide and maintain improvements for which the District was created. See "THE DISTRICT." After the issuance of the Bonds, the District will have \$13,540,000 authorized but unissued unlimited tax bonds that may be used for the purposes of financing water, sanitary sewer, or drainage facilities to serve the District, or to refund bonds issued for such purposes. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District, and in the Bond Order the District reserves the right to issue additional unlimited tax bonds, unlimited tax and revenue bonds, revenue bonds, and inferior lien bonds. See "RISK FACTORS - Future Debt."

### **Registration, Transfer, and Exchange:**

In the event that the Book-Entry System is discontinued, the Bonds are transferable only at the designated principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of the Bonds accompanied by a duly executed assignment. The Bonds are exchangeable for an equal principal amount of Bonds of the same type, maturity, and interest rate, in any authorized denomination. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. Neither the District nor the Paying Agent/Registrar is required to (i) issue, transfer or exchange any Bond during the period beginning at the opening of business 15 calendar days before the date of the first mailing of any notice of redemption of Bonds and ending at the close of business on the date of such mailing or (ii) thereafter to transfer or exchange any Bonds selected for redemption when such redemption is scheduled within 45 calendar days.

### **Replacement of Mutilated, Lost or Stolen Bonds:**

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, upon receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying



Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

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

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

- “(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.
- (b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

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

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

*This section describes how ownership of the Securities is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Securities are to be paid to and credited by DTC while the Securities 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 Securities, 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 Securities), 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.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Securities. The Securities 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 Securities, 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](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, who will receive a credit for the Securities 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 Securities 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 Securities except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 Securities 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the 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 Securities 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 neither of the District, the Financial Advisor nor 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.

## **THE DISTRICT**

### **General:**

The District is a municipal utility district created by Special Act of the 61<sup>st</sup> Texas Legislature, effective on May 27, 1969, and codified as Chapter 8178 of the Special District Local Laws Code. The rights, powers, privileges, authorities and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, 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. In addition, the District is empowered, if approved by the electorate, the TCEQ and other governmental entities having jurisdiction, to establish,

operate and maintain a fire department, either independently or with certain other districts, and to develop parks and recreational facilities.

The District, containing approximately 449 acres, lies entirely within Harris County and exclusively within the extraterritorial jurisdiction of the City of Houston. The District is located in northwest Harris County approximately 18 miles Northwest of Houston's Central Business District. Stuebner-Airline Road bounds the District on the west. FM 1960 bounds the District on the south. The District reaches to the center of Cypress Creek on the north. The District is within the Spring Independent School District. Land within the District has been developed principally as the residential subdivisions of Olde Oaks, Section 2, Oak Creek Village, Sections 1 – 4, Cypress Creek Landing, Section's 1 – 5; and Stuebner Hollow, Section's 1 – 3. The District also includes approximately 15 commercial connections including: 3 low rise office buildings, 2 doctors' offices, a restaurant, a bakery, a children's learning center, 3 stand-alone businesses, 2 bank locations, a service station, and a strip center. Additionally, the District serves an elementary school and a middle school.

**Summary of Land Use:**

A summary of the approximate land use in the District appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Fully Developed Acreage	360	(a)
Acres Currently Being Developed	12	(c)
Additional Developable Acreage	19	(d)
Undevelopable Acreage	<u>39</u>	(e)
<b>Total Approximate Acres</b>	<b>449</b>	

- 
- (a) Approximate amounts, rounded to the nearest acre.
  - (b) Acreage served by water, sewer, and drainage facilities and where the street paving work is completed or substantially completed. Includes approximately 327 acres improved for single family residential use and approximately 19 developed acres for commercial usage.
  - (c) Includes those acres that are currently under development in Stuebner Hollow, Section 3; such lots will be available for homebuilding in December 2021.
  - (d) Generally, includes acreage that may be developed for commercial purposes in the future; the District makes no representation that such land will ever be developed or if developed built upon.
  - (e) Includes District plant sites, HOA recreational facilities, utility/drainage easements, detention ponds, permanent floodplain areas, street rights-of-ways, and acreage owned by Conroe ISD used for a junior high school sight.

**Current Status of Residential Development in the District:**

The District's single-family building development is comprised of detached single-family homes; the table below reflects the approximate status of single-family residential homebuilding in the District as of September 1, 2021.

	<u>Approximate Acreage</u>	<u>Total Lots</u>	<u>Completed Homes</u>	<u>Homes Under Construction</u>	<u>Vacant Developed Lots</u>
Olde Oaks, Section 2 (a)	52	175	175	0	0
Oak Creek Village, Sections 1 – 4 (a)	213	669	669	0	0
Cypress Creek Landing, Sections 1 –5 (b)	61	274	131	25	118
Stuebner Hollow, Sections 1 –2 (c)	<u>34</u>	<u>129</u>	<u>68</u>	<u>30</u>	<u>31</u>
<b>TOTAL</b>	<b>360</b>	<b>1,247</b>	<b>1,043</b>	<b>55</b>	<b>149</b>

- 
- (a) The land in this section was mostly developed and the homes built out during the early 1970's and 1980's.
  - (b) The land within this subdivision has been develop by KB Home and all of the homes have been constructed by KB Home. According to KB Home the homes in this subdivision have been marketed in the \$218,000 - \$308,000 price range. It should be noted that the 117 vacant developed lots in Section 4 & 5 became available for home building on or about September 1, 2021.
  - (c) The land in the Stuebner Hollow, Section 1 and 2 have been developed by Rausch Coleman Homes ("RCH") and homes have been constructed by RCH. According to RCH, homes in the subdivision have been marketed in the \$225,000 - \$252,000 price range. Additionally, RCH is currently developing 12 acres (73 lots) known as Stuebner Hollow, Section 3; it is currently anticipated that such lots will be available for homebuilding in December 2021.

**Management of the District:**

The District is governed by the Board of Directors, which has control over the management of all affairs of the District. All of the Directors own property and reside within the District. A directors' election is held within the District on the first Saturday in November in odd numbered years. Directors are elected to serve four year staggered terms. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nicholas P. Fava	President	2023
James E. Armand	Vice President	2021
Jon C. Whisler	Secretary	2023
Kenneth E. Rochow	Assistant Secretary	2023
Bryan Pershall		2021

Although the District does not have a general manager or any other employees, it has contracted for bookkeeping, tax assessing services, annual auditing of its books and other services as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Equi Tax, Inc., who is employed under an annual contract to perform the District's tax collection functions.

Bookkeeper – The District's accountant/bookkeeper is Myrtle Cruz, Inc., for bookkeeping services.

Auditor – The District's annual financial statements as of and for the year ended November 30, 2020, have been audited by McCall Gibson Swedlund Barfoot PLLC. See "APPENDIX A" for a copy of the District's November 30, 2020, audited financial statements.

Utility System Operator – The District's operator is Water District Management, Inc.

Engineer – The consulting engineer for the District is IDS Engineering Group.

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.

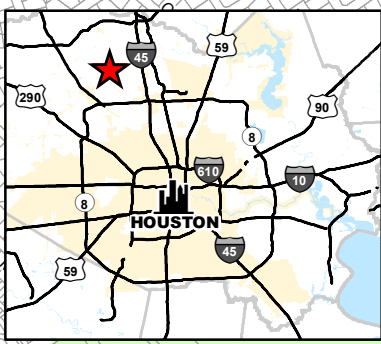
Legal Counsel – The District employs Young & Brooks, Attorneys at Law as Bond Counsel in connection with issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Young & Brooks, Attorneys at Law also acts as general counsel for the District on matters other than the issuance of bonds.

Disclosure Counsel – Allen Boone Humphries Robinson LLP 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.

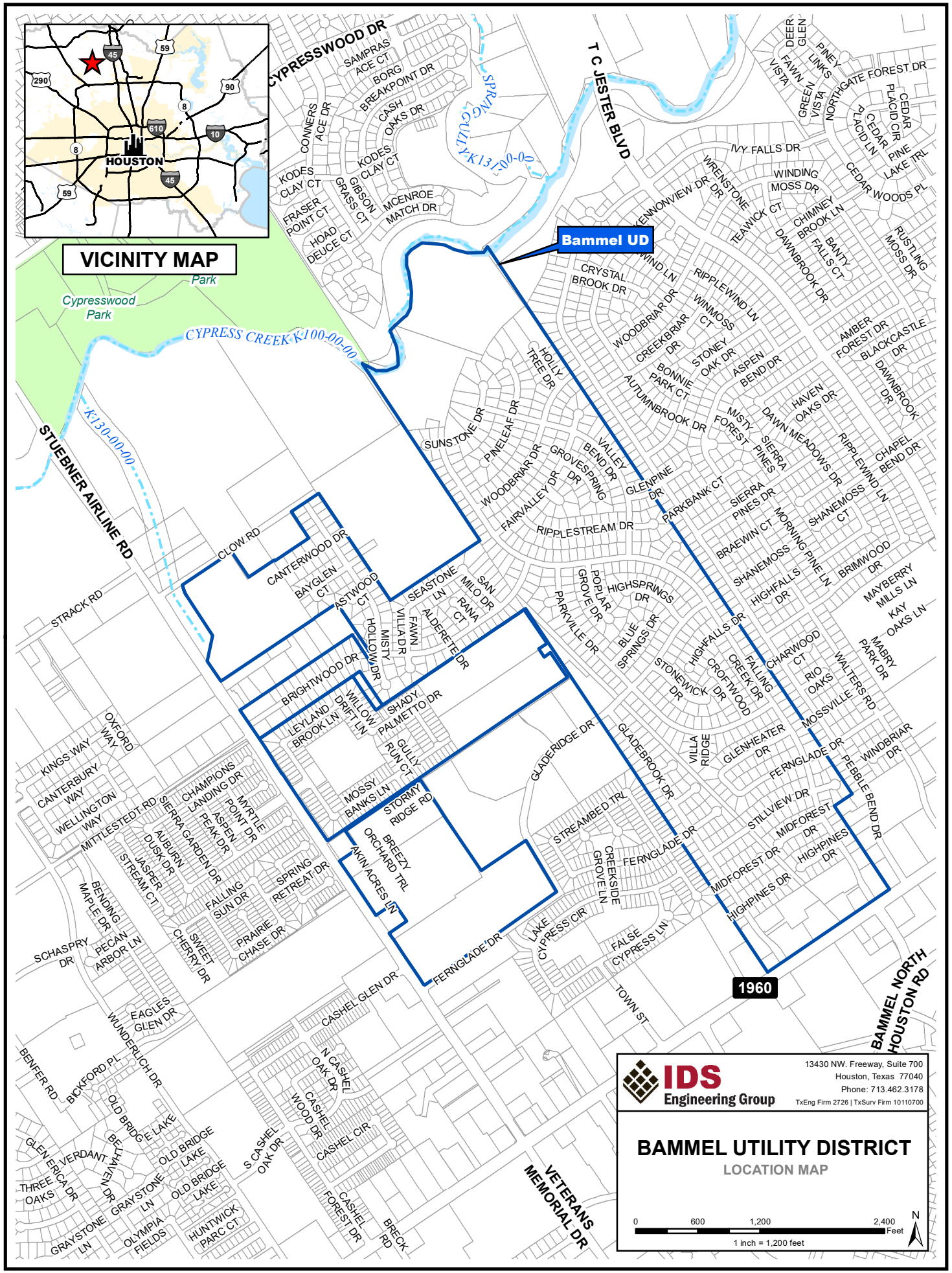
**District Investment Policy:**

The District had adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, 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 or intend to purchase long-term securities or derivative products.

**LOCATION MAP:**



**VICINITY MAP**

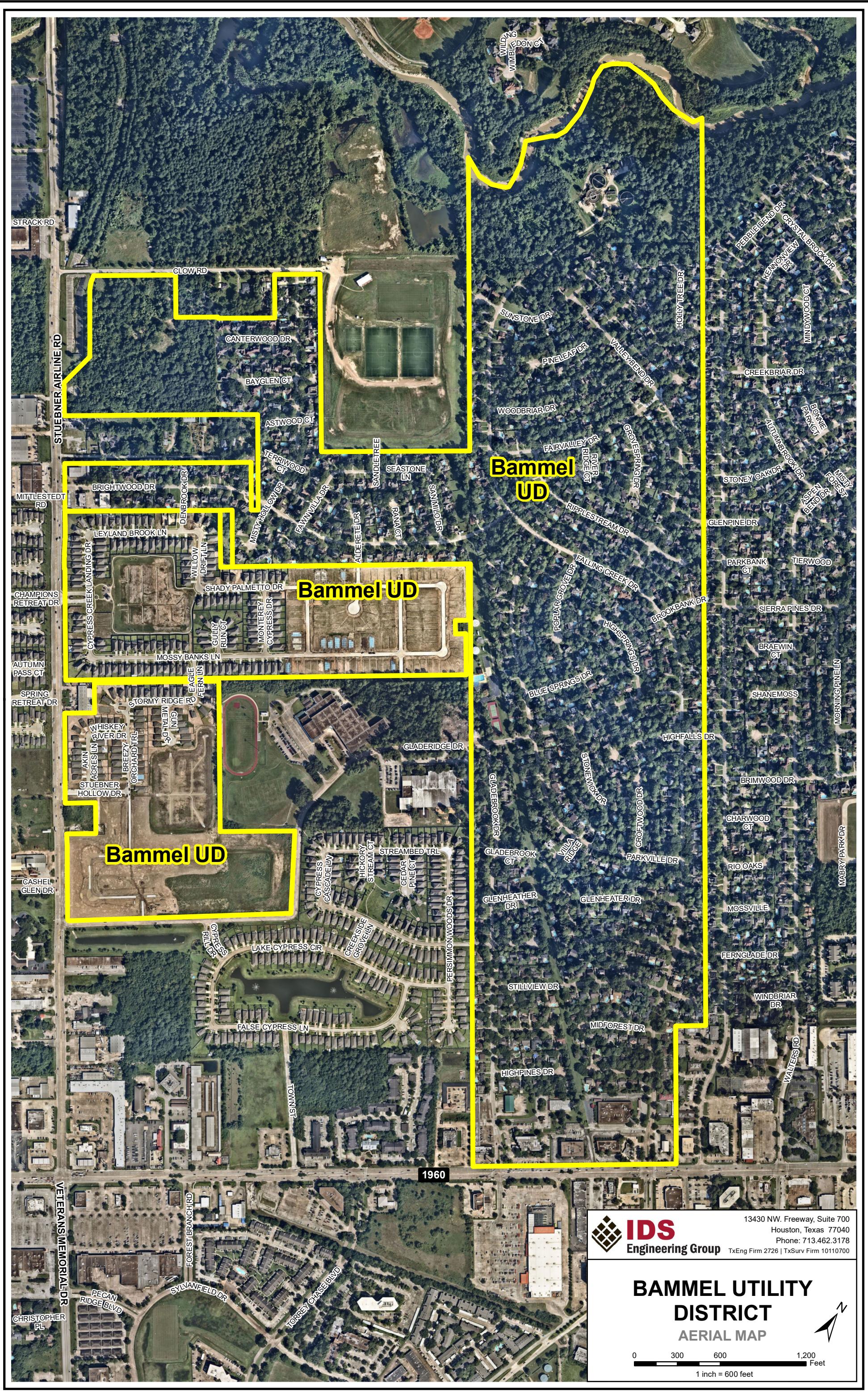


**IDS**  
Engineering Group  
13430 NW. Freeway, Suite 700  
Houston, Texas 77040  
Phone: 713.462.3178  
TxEng Firm 2726 | TxSurv Firm 10110700

**BAMMEL UTILITY DISTRICT**  
LOCATION MAP

0 600 1,200 2,400 Feet  
1 inch = 1,200 feet

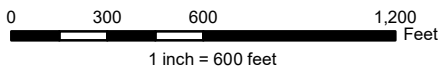
IDS Engineering Group \\houston\gis\1\Projects\07000\0774-001-00\_BammelUD\Bammel\_UD\_LocationMap\_8.5X11.mxd Plotted: 9/14/2021 at 1:38:15 PM by plbond



**IDS**  
Engineering Group

13430 NW. Freeway, Suite 700  
Houston, Texas 77040  
Phone: 713.462.3178  
TxEng Firm 2726 | TxSurv Firm 10110700

**BAMMEL UTILITY DISTRICT**  
AERIAL MAP



## THE SYSTEM

### Regulation:

The District is financing a portion of its share of the cost of water, wastewater and storm drainage facilities with proceeds of the Bonds; such facilities have been designed in accordance with accepted engineering practices and the recommendations of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City of Houston and Harris County.

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

### Description of the System:

#### - Water Supply -

The District's present source of water is provided by an existing well which has a total capacity of 950 gpm and two water plants with a total capacity 840,000 gallons of ground storage tank capacity, hydropneumatic tanks totaling 30,000 gallons, and booster pumps with a total rated capacity of 2,700 gpm. According to TCEQ criteria, the District's water supply facilities are capable of serving approximately 1,350 equivalent single-family connections ("ESFC"), which is adequate to serve the District at full development based upon current projected or anticipated land uses.

The District also has 3 emergency water interconnect agreements with 3 neighboring districts and one open metered water interconnect agreement with Fountainhead Municipal Utility District which has purchased capacity from the District to serve 250 ESFC. Additionally, the North Harris County Regional Water Authority provides water supply capacity sufficient to serve the average daily demand for water in the District.

#### - Conversion to Surface Water -

The District is within the boundaries of the Harris-Galveston Subsidence District (the "Subsidence District"), which regulates groundwater withdrawal. The District's authority to pump groundwater from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has adopted a District Regulatory Plan (the "Subsidence District Plan") to reduce groundwater withdrawal through conversion to surface water in areas within the Subsidence District's jurisdiction. Under the Subsidence District Plan, the District was required to submit to the Subsidence District by January 2003 a groundwater reduction plan and begin construction of surface water conversion infrastructure by January 2005, or pay a disincentive fee for any groundwater withdrawn in excess of 20% of the District's total water demand. This same disincentive fee will be imposed under the Subsidence District Plan if the District's groundwater withdrawal exceeds 70% of the District's total water demand beginning January 2010, exceeds 40% of the District's total water demand beginning January 2025, and exceeds 20% of the District's total water demand beginning January 2035. If the District does not meet the Subsidence District's requirements as described above, the District may be required to pay the disincentive fees adopted by the Subsidence District.

The District is located within the North Harris County Regional Water Authority (the "Authority"). The Authority was created to provide for the supply of surface water to north Harris County and to prepare a groundwater reduction plan to comply with the Subsidence District Plan. The Authority submitted its Groundwater Reduction Plan (the "GRP") to the Subsidence District and it received final certification on June 11, 2003. The GRP covers the area of the District and, provided the Authority adheres to the GRP, the District will not owe any disincentive fees to the Subsidence District. The Authority has entered into a contract with the City of Houston to purchase surface water beginning in 2010. The District currently pays to the Authority a groundwater pumpage fee of \$4.60 per 1,000 gallons and a rate of \$5.05 per 1,000 gallons for surface water used. The issuance of additional bonds by the District in an undetermined amount may be necessary at some time in the future to develop surface water conversion infrastructure or to participate in the Authority's regional surface water conversion effort.

#### - Wastewater Collection -

The District is a participant in the 1.5 MGD Bammel Central Wastewater Treatment Plant (the "Plant") and has acquired from the proceeds of prior bond issues a total of 375,000 gpd of treatment capacity. According to the District's Engineer, this capacity allocation is most likely adequate to accommodate full development of all land within the District given presently anticipated land uses; according to the TCEQ such capacity is capable of serving approximately 1,250 ESFC's. The District is currently serving 1,024 ESFC.

#### - Drainage System -

The District is relatively flat with all of the property north of F.M. 1960 draining from south to north toward Cypress Creek. Approximately 39 acres of land in the District are within drainage easements, road rights-of-way, open spaces, plant facilities, detention ponds, or are within the 100-year flood plain. Proceeds of the Bonds will be used to finance existing drainage facilities located within the Cypress Creek Landing Subdivision.

**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 General Fund (water and sewer system operations) is provided for information purposes only.

	<b>FISCAL YEAR ENDING NOVEMBER 30 (a)</b>				
	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>REVENUES</b>					
Property taxes	\$601,836	\$572,923	\$588,965	\$538,213	\$553,814
Water service	\$261,423	\$221,611	\$224,389	\$220,437	\$233,021
Wastewater service	\$370,938	\$322,275	\$323,528	\$275,757	\$165,928
Regional water authority	\$497,240	\$394,082	\$353,537	\$329,753	\$293,598
Penalty and interest	\$25,636	\$26,898	\$32,140	\$20,132	\$20,558
Tap connection & Inspection fees	\$151,367	\$73,475	\$1,300	\$3,400	\$1,250
Interest revenues/Water authority credits	\$32,241	\$54,934	\$32,768	\$17,420	\$10,230
Miscellaneous income	<u>\$16,422</u>	<u>\$13,983</u>	<u>\$14,049</u>	<u>\$11,887</u>	<u>\$17,032</u>
<b>TOTAL REVENUES</b>	<b>\$1,957,103</b>	<b>\$1,680,181</b>	<b>\$1,570,676</b>	<b>\$1,416,999</b>	<b>\$1,295,431</b>
<b>EXPENDITURES</b>					
Professional fees	\$174,205	\$157,370	\$148,500	\$121,779	\$92,834
Contracted services	\$247,060	\$218,937	\$219,598	\$168,351	\$61,089
Purchased water services	\$561,616	\$491,352	\$463,357	\$412,945	\$380,763
Purchased wastewater services	\$236,151	\$182,749	\$177,674	\$286,535	\$169,710
Repairs and maintenance	\$211,777	\$149,585	\$77,748	\$135,141	\$87,408
Other	\$151,306	\$170,632	\$107,490	\$119,834	\$95,077
Capital outlay	<u>\$104,242</u>	<u>\$38,582</u>	<u>\$868,868</u>	<u>\$52,424</u>	<u>\$16,308</u>
<b>TOTAL EXPENDITURES</b>	<b>\$1,686,357</b>	<b>\$1,409,207</b>	<b>\$2,063,235</b>	<b>\$1,297,009</b>	<b>\$903,189</b>
<b>NET CHANGE IN FUND BALANCE (b)</b>	<b>\$270,746</b>	<b>\$270,974</b>	<b>(\$492,559)</b>	<b>\$119,990</b>	<b>\$392,242</b>
<b>BEGINNING FUND BALANCE</b>	<b><u>\$2,397,895</u></b>	<b><u>\$2,126,921</u></b>	<b><u>\$2,619,480</u></b>	<b><u>\$2,499,490</u></b>	<b><u>\$2,107,248</u></b>
<b>ENDING FUND BALANCE</b>	<b>\$2,668,641</b>	<b>\$2,397,895</b>	<b>\$2,126,921</b>	<b>\$2,619,480</b>	<b>\$2,499,490</b>

(a) Source: District's annual financial statements.

(b) As of September 2, 2021, the cash balance and investment balance in the General Fund was approximately \$2,575,324. For the fiscal year ending November 30, 2021, the District is budgeting General Fund revenues of approximately \$1,982,615 and Operating expenditures of approximately \$1,000,945. Additionally, the 2021 budget includes \$2,061,260 of special projects/capital improvements that may be funded with the General Funds from time to time or funded with future bond proceeds.



## THE DEVELOPER

### Role of a Developer in a Municipal Utility District:

In general, activities of developers in special utility districts such as the District include defining a marketing program and building schedule, securing necessary governmental approvals and permits, arranging for construction of roads and installation of utilities (including in some cases, a contribution of 30% of the costs of certain water, sewer, and drainage facilities pursuant to the rules of the TCEQ), as well as gas, telephone, and electric service, and selling improved lots and commercial reserves to builders or others. In addition, developers are ordinarily major taxpayers during the development phase of the property within a utility district, and their ability to pay taxes may affect the security of a district's bonds.

### The Current Developers:

- KB Home of Texas –

KB Home Lone Star, Inc., a Texas corporation ("KB Home Lone Star") and indirect wholly-owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "KBH", is the developer of approximately 61 acres (274 lots) in the Cypress Creek Landing subdivision within the District. KB Home Lone Star has completed the construction of, or has homes under construction, on 156 single-family residential lots in Cypress Creek Landing.

All funds required by KB Home Lone Star for home construction, development activities, and payment of taxes is provided by KB Home Lone Star. KB Home Lone Star is dependent on its parent company to provide such funds. The parent company is not legally obligated to continuing providing funds for the development of the District or to provide funds neither to pay taxes on the KB Home Lone Star's taxable property within the District nor to pay any other obligations of KB Home Lone Star. KB Home Lone Star has stated that no liens securing third party indebtedness against the land or lots in the District owned by the KB Home Lone Star exist.

KB Home Lone Star does not have any legal commitment to the District or to owners of the Bonds to continue development of the land within the District and KB Home Lone Star may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the financial condition of KB Home Lone Star is subject to change at any time. See "TAX DATA – Principal Taxpayers."

- Rausch Coleman Homes -

Rausch Coleman Homes ("RCH") is the land developer/home builder in the Stuebner Hollow subdivision. RCH currently has 98 homes that are completed or under construction.

**DISTRICT DEBT**  
**(unaudited)**

6/1/2021 Estimated Taxable Value	\$236,861,171	(a)
2021 Taxable Value	\$206,873,103	(b)
Direct Debt		
The Bonds	<u>\$6,285,000</u>	
Total Direct Debt	\$6,285,000	
Estimated Overlapping Debt	<u>\$9,169,902</u>	
Direct and Estimated Overlapping Debt	\$15,454,902	
Percentage of Direct Debt to:		
6/1/2021 Estimated Taxable Value	2.65%	
2021 Taxable Value	3.04%	
Percentage of Direct Overlapping Debt to:		
6/1/2021 Estimated Taxable Value	6.52%	
2021 Taxable Value	7.47%	
2021 Tax Rate Per \$100 of Assessed Value:		
Debt Service	\$0.00	
Maintenance Tax	<u>\$0.37</u>	
Total 2021 Tax Rate	\$0.37	
Cash and Investment Balance		
Approximate General Fund (as of 9/2/2021)	\$2,575,324	
Approximate Debt Service Fund	\$188,550	(c)

- 
- (a) Reflects data supplied by the Harris County Appraisal District ("HCAD"). The Estimated Taxable Value as of 6/1/2021 was prepared by HCAD and provided to the District. Such value is not binding on HCAD, and any new value (subsequent to January 1, 2020) will not be included on the District's tax roll until the 2021 tax roll is prepared and certified by HCAD during the second half of 2021. See "TAX DATA" and "TAX PROCEDURES."
- (b) The 2021 Taxable Value was prepared by the HCAD and provided to the District. Such amount reflects the taxable value of property that has been fully certified by HCAD (\$167,445,140) and 85% of the additional taxable value of property still in the process of being certified (\$48,738,781) that HCAD believes will ultimately be certified in the 2021 tax roll. See "TAX DATA" and "TAXING PROCEDURES."
- (c) Represents the approximate cash and investment balance in the Debt Service Fund as of the day of closing of the Bonds; such amount will be funded with bond proceeds. Neither Texas law nor the District's Bond Order requires the District to maintain any particular balance in the Debt Service Fund.

**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 "Texas Municipal Reports" published by the Municipal Advisory Council of Texas, and certain other sources. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Overlapping Entities</u>	<u>Outstanding Debt</u>	<u>Percent Overlapping</u>	<u>Overlapping Debt</u>
Harris County	\$1,344,457,125	0.04%	\$550,303
Harris County Department of Education	\$20,185,000	0.04%	\$8,183
Harris County Flood Control District	\$590,725,000	0.04%	\$246,602
Harris County Hospital District	\$81,540,000	0.04%	\$34,020
Lone Star College System	\$677,720,000	0.09%	\$621,135
Port of Houston Auth	\$492,439,397	0.04%	\$207,017
Spring ISD	\$638,585,000	1.17%	<u>\$7,502,642</u>
<b>Estimated Overlapping Debt</b>			<b>\$9,169,902</b>
District Debt (a)			<u>\$6,285,000</u>
<b>Direct &amp; Overlapping Debt</b>			<b>\$15,454,902</b>

(a) Includes the Bonds.

**TAX DATA**

**Debt Service/Maintenance Tax:**

In 2020, the District did not levy a tax for debt service purposes and levied \$0.37 for maintenance purposes (the District is current planning to levy the same tax rate in 2021). The proceeds of the maintenance tax are deposited into the District's Operating Fund and used to pay certain operating costs. A maintenance tax has been levied in the District since 1995. The district has begun the process of levying it 2021 tax rate; the Board has indicated its intentions to set a \$0.37 maintenance tax again this year and no debt service tax rate. It is currently anticipated that the District will levy both a debt service tax rate and maintenance tax rate in 2022.

**Analysis of Tax Base:**

Based on information provided to the District by its Tax Assessor/Collector, the following table represents the composition of property comprising the District's gross tax roll valuations and the exemptions (including supplemental adjustments made by HCAD) for 2016 through 2020. See "DISTRICT DEBT."

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuations</u>	<u>Exemptions</u> (a)	<u>Taxable Valuation</u> (b)
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>			
2021						\$206,873,103 (c)
2020	\$30,670,680	\$157,911,665	\$4,039,819	\$192,622,164	\$12,046,208	\$180,575,956
2019	\$26,503,504	\$146,203,482	\$4,020,789	\$176,727,775	\$11,519,690	\$165,208,085
2018	\$26,940,186	\$134,665,972	\$3,965,763	\$165,571,921	\$10,502,922	\$155,068,999
2017	\$26,083,582	\$135,945,071	\$3,972,064	\$166,000,717	\$10,223,075	\$155,777,642
2016	\$25,888,435	\$127,748,112	\$3,843,060	\$157,479,607	\$10,431,120	\$147,048,487

(a) A majority of the exemptions is a result of the elderly and disabled exemptions granted to certain homeowners by the District and the value of public school properties located in the District.

(b) Reflects the gross Assessed Valuation supplied by HCAD, less exemptions.

(c) The 2021 Taxable Value was prepared by HCAD and provided to the District. Such amount reflects the taxable value of property that has been fully certified by HCAD (\$167,445,140) and 85% of the additional taxable value of property still in the process of being certified (\$48,738,781) that HCAD believes will ultimately be certified in the 2021 tax roll.

**Tax Distribution:**

The following table sets forth the tax rate distribution of the District for the years 2017 through 20210.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance/Operation	<u>\$0.37</u>	<u>\$0.37</u>	<u>\$0.37</u>	<u>\$0.37</u>	<u>\$0.37</u>
<b>Total</b>	<b>\$0.37</b>	<b>\$0.37</b>	<b>\$0.37</b>	<b>\$0.37</b>	<b>\$0.37</b>

**Principal Taxpayers:**

The list of principal taxpayers for 2020 and the other information in this table was provided by HCAD based on certified tax rolls provided net of any exemptions. Such data does not reflect any corrections subsequent to action of the Appraisal District.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Valuation</u>	<u>% of Total</u>
KB Home Lone Star Inc	Land & improvements	\$3,658,046	2.02%
2001 Limited Partnership	Land & improvements	\$2,399,959	1.33%
3920 GTPXII LLC	Land & improvements	\$2,351,200	1.30%
3934 FM 1960 LP	Land & improvements	\$1,556,142	0.86%
SRP Sub LLC	Land & improvements	\$1,346,312	0.74%
Comerica Bank	Land & improvements	\$1,195,000	0.66%
Plains State Bank	Land & improvements	\$1,160,647	0.64%
3910 FM 1960 Inc	Land & improvements	\$1,032,428	0.57%
Gladebrook Land LLC	Land & improvements	\$1,015,274	0.56%
Brightwood Professional CTR LLC	Land & improvements	<u>\$814,553</u>	<u>0.45%</u>
<b>TOTAL</b>		<b>\$16,529,561</b>	<b>9.13%</b>

**Levy and Collection:**

The following represents the collection history of District taxes:

<u>Tax Year</u>	<u>Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Adjusted Levy</u>	<u>Cumulative Collections (a)</u>	
				<u>Dollars</u>	<u>Percent</u>
2020	\$180,575,956	\$0.3700	\$668,131	\$653,378	97.7%
2019	\$165,208,085	\$0.3700	\$611,270	\$606,044	99.1%
2018	\$155,068,999	\$0.3700	\$573,755	\$571,864	99.6%
2017	\$155,777,642	\$0.3700	\$576,377	\$575,615	99.8%
2016	\$147,048,487	\$0.3700	\$544,079	\$543,307	99.8%

(a) Represents the cumulative tax collections as of September 1, 2021. According to the tax collector's office the current tax collections have been 96% or better each year for the past several years.

**Tax Rate Calculations:**

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 assessed valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the dates noted on the table below. The foregoing further assumes collection of 95% of taxes levied, and assumes the issuance of the Bonds but no additional bonds.

Maximum Debt Service Requirements (2049) .....	\$348,967
Tax Rate of \$0.16 on the 6/1/2021 Estimated Taxable Value produces.....	\$360,029
Tax Rate of \$0.18 on the 2021 Taxable Value produces.....	\$353,753

**Estimated Overlapping Taxes:**

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty and interest for the year, on January 1, of that year. The tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. See "TAXING PROCEDURES." In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT -- Estimated Overlapping Debt"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all 2020 taxes levied by such taxing jurisdictions, assuming each assesses at 100% basis of assessment. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy of entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2020 Tax Rate Per \$100 Assessed Valuation</u>
Spring ISD (2021)	\$1.31280
Lone Star College System	\$0.10780
Emergency Service District No. 16	\$0.05000
Emergency Service District No. 11	\$0.03333
Harris County	<u>\$0.60419</u>
	<b>\$2.10812</b>
The District (2021)	<u>\$0.37000</u>
<b>Estimated Total Tax Rate</b>	<b>\$2.47812</b>

**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 (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Sources 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 (see "TAX DATA – Maintenance Tax") and for the payment of certain contractual obligations, if authorized by the voters in the District.

**Tax Code and County-Wide Appraisal District:**

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property 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 the appraisal district. The Harris County Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board").

**Property Subject to Taxation by the District:**

**General.** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites, and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons, to the extent deemed advisable by the Board. The District has granted a \$25,000 residential homestead exemption for the disabled and for over-65 individuals. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the

District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran, or (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, or (ii) a first responder as defined under Texas law, 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. 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 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 twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by May 1. The District has never granted a general residential homestead exemption.

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

#### **Tax Abatement:**

Harris County may designate all or part of the area within the District as a reinvestment zone. The District, at its option and discretion, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same.

#### **Valuation of Property for Taxation:**

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

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its 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. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a landowner of qualified open-space land is a member of the U.S. armed forces, subject to certain conditions, the appraisal of the land as qualified open-space land does not change while the landowner is deployed or stationed outside of Texas. 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 (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

### **District and Taxpayer Remedies:**

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

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

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

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 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 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) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." 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 are 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.

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

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

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

**The District.** A determination as to a district's status as a Low Tax Rate District, Developed District, or Developing District is made on an annual basis, at the time a district sets its tax rate. The District is designated a Developing District for the 2021 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on parity with tax liens of other such taxing units (see "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.

Except with respect to owners of residential homestead property who are: (i) 65 years of age or older or under a disability as described above and who have filed an affidavit as required by law; and (ii) owners of residential homesteads who have entered into an installment agreement with the District for payment of delinquent taxes as described above and who are not in default under said agreement, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, or by taxpayer redemption rights (a taxpayer may redeem property that is a residence homestead or was designated for agricultural use within two years after the deed issued at foreclosure is filed of record and may redeem all other property within six months after the deed issued at foreclosure is filed of record) or by bankruptcy proceedings which restrict the collection of taxpayer debt. The District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Generally, the District's tax lien and a federal tax lien are on par with the ultimate priority being determined by applicable federal law. See "RISK FACTORS – Tax Collection Limitations."



## ANNEXATION AND CONSOLIDATION

### Annexation:

The District is located within the extraterritorial jurisdiction of the City of Houston, Texas. Texas law provides that under certain circumstances, land within the District may be annexed by the City of Houston without the consent of the District, which annexation could modify the sources of and security for payment of the Bonds. If the entire District is so annexed, the City of Houston must assume the District's assets and obligations (including the Bonds) and abolish the District. No representation is made that the City of Houston will ever annex all or part of the territory within the District and assume payment of the Bonds. Moreover, no representation is made concerning the ability of Houston to make debt service payments should assumption of the Bonds occur.

### Consolidation:

A district (such as 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, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

## LEGAL MATTERS

### Legal Opinion:

The District will furnish the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving 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. The District will also furnish the legal opinion of Young & Brooks ("Bond Counsel") to the effect that based upon an examination of such transcript the Bonds are legal, valid and binding obligations of the District and to the effect that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court decisions. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

### Legal Review:

Bond Counsel has reviewed the information appearing in the Official Statement under the captions "REGISTRATION," "THE BONDS," "THE DISTRICT – General," "TAXING PROCEDURES," "ANNEXATION AND CONSOLIDATION," "LEGAL MATTERS" (as it relates to the opinion of bond counsel), "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings") solely to determine whether such information, insofar as it relates to matters of law, fairly summarizes the procedures and documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Young & Brooks act as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### No-Litigation Certificate:

On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter, a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

## TAX MATTERS

### Opinion:

On the date of initial delivery of the Bonds, Young & Brooks, Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and

(b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Issuer with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the Project. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

#### **Federal Income Tax Accounting Treatment of Original Issue Discount:**

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

#### **Collateral Federal Income Tax Consequences:**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

#### **State, Local, and Foreign Taxes:**

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

#### **Information Reporting and Backup Withholding:**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates, and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

#### **Qualified Tax-Exempt Obligations for Financial Institutions:**

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

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

## **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.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, 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 (the "MSRB") or any successor to its functions as a repository through its Electronic Municipal Market Access ("EMMA") system.

### **Annual Reports:**

The District will provide certain updated financial information and operating data annually. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in the District's audited financial statements found in "APPENDIX A - ANNUAL FINANCIAL REPORT." The District will update and provide this information within six months after the end of each of its fiscal years ending in and after 2021.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall 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 Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

### **Event Notices:**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax and net system revenues) to secure payment of the Bonds, or appointment of a trustee. Further, with respect to the Bonds, there are no "obligated persons" within the meaning of the Rule other than the District. 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 information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB through its EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

**Limitations and Amendments:**

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered Owners and beneficial owners of the Bonds. The District also may amend or repeal the agreement in the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating so provided.

**Compliance with Prior Undertakings:**

The District has no previous continuing disclosure agreements pursuant to SEC Rule 15c2-12.

**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, HCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, and engineering and other related reports set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

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

**Financial Advisor:**

The Official Statement was compiled and edited under the supervision of the District's Financial Advisor, The GMS Group, L.L.C. The fees to be paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and therefore such fees are contingent on the sale and delivery of the Bonds.

**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, to the description of the System, and, in particular, that engineering related information included in the sections entitled "THE DISTRICT – General" – Summary of Land Use," " - Current Status of Single Family Residential Development in the District" and "THE SYSTEM" has been provided by IDS Engineering Group and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Collector: The information contained in this Official Statement relating to the assessed valuation of property and, in particular, such information contained in the section captioned "TAX DATA," has been provided by the Harris County Appraisal District and by Equi-Tax, Inc., the District's Tax Assessor/Collector, in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditors: The financial statements of the District and the accompanying report by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, as shown in Appendix A, have been published with the consent of such firm.

**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, to the other matters described in the Official Statement until the delivery of the Bonds to the Underwriter, unless the Underwriter notifies the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend until the earlier of the time when all of the Bonds have been sold or 90 days after delivery of the Bonds.

**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 audit report is filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audit reports 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 Young & Brooks, Attorneys at Law, 10000 Memorial Drive, Suite 260, Houston, Texas 77024.

**Certification as to Official Statement:**

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the consultants listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in 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.

This Official Statement was approved by the Board of Directors of Bammel Utility District as of the date shown on the cover page.

APPENDIX A  
BAMMEL UTILITY DISTRICT  
HARRIS COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
NOVEMBER 30, 2020

**BAMMEL UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**NOVEMBER 30, 2020**



**BAMMEL UTILITY DISTRICT**

**HARRIS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**NOVEMBER 30, 2020**

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-11
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	12
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	13-14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO THE FINANCIAL STATEMENTS	16-29
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND EACH SPECIAL REVENUE FUND	31-33
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	35-37
GENERAL FUND EXPENDITURES	38-39
INVESTMENTS	40
TAXES LEVIED AND RECEIVABLE	41-42
LONG-TERM DEBT SERVICE REQUIREMENTS (NOT APPLICABLE)	
CHANGE IN LONG-TERM BOND DEBT (NOT APPLICABLE)	
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND - FIVE YEARS	43-44
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	45-46

# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708

PO Box 29584  
Austin, TX 78755-5126  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Bammel Utility District  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Bammel Utility District (the "District"), as of and for the year ended November 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility 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; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors  
Bammel Utility District

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of November 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Funds be presented to supplement the basic financial statements. Such information, 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.

### *Other Information*

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

March 8, 2021

**BAMMEL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED NOVEMBER 30, 2020**

Management's discussion and analysis of Bammel Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended November 30, 2020. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The District has two Special Revenue Funds. One Special Revenue Fund accounts for financial activities of the regional wastewater treatment plant. The other Special Revenue Fund accounts for the operations of a jointly owned water plant with Fountainhead Municipal Utility District.

**BAMMEL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED NOVEMBER 30, 2020**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$6,814,904 as of November 30, 2020.

A portion of the District's net position reflects its net investment in capital assets (e.g. water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

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

**BAMMEL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED NOVEMBER 30, 2020**

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 4,381,175	\$ 5,226,328	\$ (845,153)
Capital Assets (Net of Accumulated Depreciation)	<u>7,269,741</u>	<u>6,094,346</u>	<u>1,175,395</u>
Total Assets	<u>\$ 11,650,916</u>	<u>\$ 11,320,674</u>	<u>\$ 330,242</u>
Due to Developer	\$ 3,385,220	\$ 2,081,851	\$ (1,303,369)
Other Liabilities	<u>820,266</u>	<u>1,954,225</u>	<u>1,133,959</u>
Total Liabilities	<u>\$ 4,205,486</u>	<u>\$ 4,036,076</u>	<u>\$ (169,410)</u>
Deferred Inflows of Resources	<u>\$ 630,526</u>	<u>\$ 610,762</u>	<u>\$ (19,764)</u>
Net Position:			
Net Investment in Capital Assets	\$ 3,887,568	\$ 4,020,960	\$ (133,392)
Unrestricted	<u>2,927,336</u>	<u>2,652,876</u>	<u>274,460</u>
Total Net Position	<u>\$ 6,814,904</u>	<u>\$ 6,673,836</u>	<u>\$ 141,068</u>

The following table provides a summary of the District's operations for the years ended November 30, 2020, and November 30, 2019. The District's net position increased by \$141,068 accounting for a 2.1% increase in net position.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 609,582	\$ 569,055	\$ 40,527
Charges for Services	2,214,414	1,747,454	466,960
Other Revenues	<u>79,359</u>	<u>83,475</u>	<u>(4,116)</u>
Total Revenues	<u>\$ 2,903,355</u>	<u>\$ 2,399,984</u>	<u>\$ 503,371</u>
Expenses for Services	<u>2,762,287</u>	<u>2,275,729</u>	<u>(486,558)</u>
Change in Net Position	\$ 141,068	\$ 124,255	\$ 16,813
Net Position, Beginning of Year	<u>6,673,836</u>	<u>6,549,581</u>	<u>124,255</u>
Net Position, End of Year	<u>\$ 6,814,904</u>	<u>\$ 6,673,836</u>	<u>\$ 141,068</u>

**BAMMEL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED NOVEMBER 30, 2020**

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

The District's combined fund balances as of November 30, 2020, were \$2,668,641, an increase of \$270,746 from the prior year.

The General Fund fund balance increased by \$270,746, primarily due to tax and service revenues exceeding operating and capital costs.

**BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget for the General Fund during the current fiscal year. Actual revenues were \$99,083 more than budgeted revenues. Actual expenditures were \$718,126 less than budgeted expenditures.

The budgets for the Water Plant Special Revenue Fund and Wastewater Treatment Plant Special Revenue Fund were not amended during the current fiscal year. Actual revenues were \$106,318 less than budgeted revenues and actual expenditures were \$106,318 less than budgeted expenditures for the joint water plant. Actual revenues were \$277,487 more than budgeted revenues and actual expenditures were \$277,487 more than budgeted expenditures for the regional wastewater treatment plant.

**CAPITAL ASSETS**

The District's capital assets as of November 30, 2020, amount to \$7,269,741 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems. Capital asset activity completed during the current fiscal year included Cypress Creek Landing, Sections 2 and 3 water wastewater and drainage facilities and Cypress Creek Landing detention, Phase II. Significant construction in progress at year end included wastewater treatment plant improvements.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 234,560	\$ 234,560	\$
Construction in Progress	965,178	889,393	75,785
Capital Assets, Net of Accumulated Depreciation:			
Water System	1,247,372	1,200,337	47,035
Wastewater System	2,312,470	2,119,563	192,907
Drainage System	2,510,161	1,650,493	859,668
Total Net Capital Assets	\$ 7,269,741	\$ 6,094,346	\$ 1,175,395



**BAMMEL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED NOVEMBER 30, 2020**

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Bammel Utility District, c/o Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, TX 77024.

**BAMMEL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
NOVEMBER 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	
		<u>Water Plant</u>	<u>Wastewater Treatment Plant</u>
<b>ASSETS</b>			
Cash	\$ 571,592	\$ 130,001	\$ 86,114
Investments	2,259,955		224,764
Receivables:			
Property Taxes	614,124		
Penalty and Interest on Delinquent Taxes			
Service Accounts	146,972		
Accrued Interest	7,385		
Other		7,499	
Due from Other Funds		44,498	23,916
Due from Other Governmental Units		9,831	85,203
Advance for Water Plant Operations	120,600		
Advance for Regional Wastewater Treatment Plant Operations	25,000		
Chloramine Credit Receivable			
Land			
Construction in Progress			
Capital Assets (Net of Accumulated Depreciation)			
<b>TOTAL ASSETS</b>	<u>\$ 3,745,628</u>	<u>\$ 191,829</u>	<u>\$ 419,997</u>

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 787,707	\$	\$ 787,707
2,484,719		2,484,719
614,124		614,124
	6,990	6,990
146,972		146,972
7,385		7,385
7,499		7,499
68,414	(68,414)	
95,034		95,034
120,600	(120,600)	
25,000	(25,000)	
	230,745	230,745
	234,560	234,560
	965,178	965,178
	<u>6,070,003</u>	<u>6,070,003</u>
<u>\$ 4,357,454</u>	<u>\$ 7,293,462</u>	<u>\$ 11,650,916</u>

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

**BAMMEL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
NOVEMBER 30, 2020**

	Special Revenue Funds		
	General Fund	Water Plant	Wastewater Treatment Plant
<b>LIABILITIES</b>			
Accounts Payable	\$ 175,712	\$ 57,829	\$ 96,674
Due to Other Governmental Units			223,323
Due to Developers	3,047		
Due to Other Funds	68,414		
Due to Taxpayers	753		
Security Deposits	177,575		
Advance for Regional Wastewater Treatment Plant Operations			100,000
Advance for Water Plant Operations		134,000	
<b>TOTAL LIABILITIES</b>	<b>\$ 425,501</b>	<b>\$ 191,829</b>	<b>\$ 419,997</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	\$ 651,486	\$ -0-	\$ -0-
<b>FUND BALANCES</b>			
Nonspendable:			
For Water Plant Operations	\$ 120,600	\$	\$
Advance for Regional Wastewater Treatment Plant Operations	25,000		
Assigned to 2021 Budget Deficit	1,079,590		
Unassigned	1,443,451		
<b>TOTAL FUND BALANCES</b>	<b>\$ 2,668,641</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,745,628</b>	<b>\$ 191,829</b>	<b>\$ 419,997</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets Unrestricted			
<b>TOTAL NET POSITION</b>			

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

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 330,215	\$	\$ 330,215
223,323		223,323
3,047	3,382,173	3,385,220
68,414	(68,414)	
753		753
177,575		177,575
100,000	(25,000)	75,000
<u>134,000</u>	<u>(120,600)</u>	<u>13,400</u>
\$ <u>1,037,327</u>	\$ <u>3,168,159</u>	\$ <u>4,205,486</u>
\$ <u>651,486</u>	\$ <u>(20,960)</u>	\$ <u>630,526</u>
\$ 120,600	\$ (120,600)	\$
25,000	(25,000)	
1,079,590	(1,079,590)	
<u>1,443,451</u>	<u>(1,443,451)</u>	
\$ <u>2,668,641</u>	\$ <u>(2,668,641)</u>	\$ <u>-0-</u>
<u>\$ 4,357,454</u>		
	\$ 3,887,568	\$ 3,887,568
	<u>2,927,336</u>	<u>2,927,336</u>
	\$ <u>6,814,904</u>	\$ <u>6,814,904</u>

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**BAMMEL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
NOVEMBER 30, 2020**

Total Fund Balances - Governmental Funds	\$ 2,668,641
--	--------------

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

Credits due from the North Harris County Regional Water Authority for asset reimbursements are not current financial resources and, therefore, are not reported as assets in the governmental funds.	230,745
--	---------

Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	7,269,741
---	-----------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.	27,950
--	--------

Developer liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,382,173)</u>
--	--------------------

Total Net Position - Governmental Activities	<u>\$ 6,814,904</u>
--	---------------------

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

**BAMMEL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2020**

	General Fund	Special Revenue Funds	
		Water Plant	Wastewater Treatment Plant
<b>REVENUES</b>			
Property Taxes	\$ 601,836	\$	\$
Water Service	261,423	698,378	
Wastewater Service	370,938		1,005,811
Regional Water Authority Fees	497,240		
Penalty and Interest	25,636		
Tap Connection and Inspection Fees	151,367		
Investment Revenues/Water Authority Credits	32,241	19,654	7,418
FEMA Reimbursement			9,043
Miscellaneous Revenues	16,422		
<b>TOTAL REVENUES</b>	<b>\$ 1,957,103</b>	<b>\$ 718,032</b>	<b>\$ 1,022,272</b>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 174,205	\$ 13,007	\$ 27,555
Contracted Services	247,060	45,686	161,921
Purchased Water Service	561,616	479,394	612
Purchased Wastewater Service	236,150		
Utilities		32,449	111,418
Regional Water Authority Assessment		80,374	
Repairs and Maintenance	211,777	42,011	374,600
Depreciation			
Other	151,307	25,111	346,166
Capital Outlay	104,242		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 1,686,357</b>	<b>\$ 718,032</b>	<b>\$ 1,022,272</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 270,746</b>	<b>\$</b>	<b>\$</b>
<b>CHANGE IN NET POSITION</b>			
<b>FUND BALANCES/NET POSITION -</b> <b>DECEMBER 1, 2019</b>	<b>2,397,895</b>		
<b>FUND BALANCES/NET POSITION -</b> <b>NOVEMBER 30, 2020</b>	<b>\$ 2,668,641</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

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



<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 601,836	\$ 7,746	\$ 609,582
959,801	(561,616)	398,185
1,376,749	(236,150)	1,140,599
497,240		497,240
25,636	1,387	27,023
151,367		151,367
59,313	(5,419)	53,894
9,043		9,043
16,422		16,422
\$ 3,697,407	\$ (794,052)	\$ 2,903,355
\$ 214,767	\$	\$ 214,767
454,667		454,667
1,041,622	(561,616)	480,006
236,150	(236,150)	
143,867		143,867
80,374		80,374
628,388	(18,715)	609,673
	256,349	256,349
522,584		522,584
104,242	(104,242)	
\$ 3,426,661	\$ (664,374)	\$ 2,762,287
\$ 270,746	\$ (270,746)	\$
	141,068	141,068
2,397,895	4,275,941	6,673,836
\$ 2,668,641	\$ 4,146,263	\$ 6,814,904

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

**BAMMEL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED NOVEMBER 30, 2020**

Net Change in Fund Balances - Governmental Funds	\$	270,746
--	----	---------

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		7,746
--	--	-------

Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.		1,387
---	--	-------

Governmental funds report repayment of capital contributions and other receivables as revenues in the period received. However, in the Statement of Net Position, reimbursements reduce long-term receivables.		(5,419)
--	--	---------

Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(256,349)
--	--	-----------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		122,957
---	--	---------

Change in Net Position - Governmental Activities	\$	<u>141,068</u>
--	----	----------------

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

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

**NOTE 1. CREATION OF DISTRICT**

Bammel Utility District of Harris County, Texas (the “District”) was created by House Bill No. 1104, Acts of the 61st Legislature of Texas, Regular Session, pursuant to the provisions of Section 59 of Article XVI of the Texas Constitution. On May 15, 1978, the District applied for and was granted permission by the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”), to convert to a municipal utility district and operate under Chapter 54 of the Texas Water Code. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on November 13, 1969, and the first bonds were sold on August 3, 1970.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

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

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units. The District participates in two joint ventures for the operation of a regional wastewater treatment plant and a joint water plant. Since the District exercises oversight responsibility over the plants, they are accounted for as joint ventures of the District and are recorded in two Special Revenue Funds. See Notes 6 and 13 for additional disclosure.

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

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

Financial Statement Presentation

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

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

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

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

Government-Wide Financial Statements

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

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

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

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

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

Governmental Funds

The District has three major governmental funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Special Revenue Fund - Wastewater Treatment Plant - To account for financial activities of the regional wastewater treatment plant.

Special Revenue Fund – Joint Water Plant - To account for financial activities of the joint water plant with Fountainhead Municipal Utility District.

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include the 2019 tax levy collections during the period October 1, 2019, to November 30, 2020, and taxes collected from December 1, 2019, to November 30, 2020, for the 2018 and prior tax levies. The 2020 tax levy has been fully deferred.

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

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

Basis of Accounting (Continued)

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of November 30, 2020, the General Fund owed the Special Revenue Funds \$23,916 for wastewater treatment plant operations and \$44,498 for water plant operations.

Capital Assets

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

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Drainage System	10-45
All Other Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund and each Special Revenue Fund by the District’s Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The original General Fund and each Special Revenue Fund budgets for the current year were not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Special Revenue Funds presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

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

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

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

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

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

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

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

*Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has assigned \$1,079,590 of the General Fund fund balance for a projected budget deficit for the year ending November 30, 2021.

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

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

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

Measurement Focus (Continued)

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

Accounting Estimates

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

**NOTE 3. DEPOSITS AND INVESTMENTS**

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$2,154,625 and the bank balance was \$2,419,915. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Balance Sheet and the Statement of Net Position at November 30, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 571,592	\$ 1,366,918	\$ 1,938,510
SPECIAL REVENUE FUNDS	216,115		216,115
TOTAL DEPOSITS	<u>\$ 787,707</u>	<u>\$ 1,366,918</u>	<u>\$ 2,154,625</u>



**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

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

Investments

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

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

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of November 30, 2020, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Fair Value</u>	<u>Maturities of Less Than 1 Year</u>
<u>GENERAL FUND</u>		
TexPool	\$ 893,037	\$ 893,037
Certificates of Deposit	1,366,918	1,366,918
<u>SPECIAL REVENUE FUNDS</u>		
TexPool	<u>224,764</u>	<u>224,764</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 2,484,719</u></b>	<b><u>\$ 2,484,719</u></b>

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

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

Investments

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At November 30, 2020, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Special Revenue Funds are restricted for the regional wastewater treatment plant and water plant operations.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended November 30, 2020:

	December 1, 2019	Increases	Decreases	November 30, 2020
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 234,560	\$	\$	\$ 234,560
Construction in Progress	889,393	1,431,744	1,355,959	965,178
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 1,123,953</b>	<b>\$ 1,431,744</b>	<b>\$ 1,355,959</b>	<b>\$ 1,199,738</b>
<b>Capital Assets Subject to Depreciation</b>				
Water System	\$ 3,277,979	\$ 148,687	\$	\$ 3,426,666
Wastewater System	3,862,933	290,300		4,153,233
Drainage System	3,047,362	916,972		3,964,334
<b>Total Capital Assets Subject to Depreciation</b>	<b>\$ 10,188,274</b>	<b>\$ 1,355,959</b>	<b>\$ - 0 -</b>	<b>\$ 11,544,233</b>
<b>Accumulated Depreciation</b>				
Water System	\$ 2,077,642	\$ 101,652	\$	\$ 2,179,294
Wastewater System	1,743,370	97,393		1,840,763
Drainage System	1,396,869	57,304		1,454,173
<b>Total Accumulated Depreciation</b>	<b>\$ 5,217,881</b>	<b>\$ 256,349</b>	<b>\$ - 0 -</b>	<b>\$ 5,474,230</b>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 4,970,393</b>	<b>\$ 1,099,610</b>	<b>\$ - 0 -</b>	<b>\$ 6,070,003</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 6,094,346</b>	<b>\$ 2,531,354</b>	<b>\$ 1,355,959</b>	<b>\$ 7,269,741</b>

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

**NOTE 5. MAINTENANCE TAX**

On May 2, 1998, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation of taxable property within the District. During the year ended November 30, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.37 per \$100 of assessed valuation, which resulted in a tax levy of \$630,526 on the adjusted taxable valuation of \$170,412,346 for the 2020 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

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

**NOTE 6. AGREEMENT FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF A WASTEWATER TREATMENT PLANT**

On October 18, 1979, and as amended September 14, 1981, the District and several participating districts entered into a 40 year contract to provide for the proper and efficient operation and maintenance of a joint sewage treatment plant and waste disposal system to serve each of the participating districts. The District is the administrator district and is responsible for the full, fair, and proper administration of the contract and plant. The First Amendment to the contract was executed and considered effective by the participating districts as of October 18, 2019. This action extended the term of the contract until October 18, 2059, and continuing thereafter until terminated by any party upon six months written notice to the other parties.

The participants are the owners of the plant, including all enlargements, extensions, or improvements and the participants retain legal title including related improvements, sites, right-of-ways and easements. Each participant owns an undivided interest in the waste disposal system equal to its respective pro-rata share of the capacity in the system relative to the total installed capacity of the system.

Louetta Road Utility District sold 150,000 gallons per day of its plant capacity to Harris County Municipal Utility District No. 316 during fiscal year 1997.

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

**NOTE 6. AGREEMENT FOR CONSTRUCTION, OPERATION AND MAINTENANCE OF A WASTEWATER TREATMENT PLANT**  
(Continued)

Current plant capacity, in gallons per day, and percentage of capacity are as follows:

Participants	Gallons Per Day Capacity	Percent
Bammel Utility District	375,000	25.00%
Louetta Road Utility District	217,500	14.50
Spring Creek Forest Public Utility District	270,000	18.00
Harris County Municipal Utility District No. 44	225,000	15.00
Terranova West Municipal Utility District	300,000	20.00
Harris County Municipal Utility District No. 316	<u>112,500</u>	<u>7.50</u>
Total	<u>1,500,000</u>	<u>100.00%</u>

Participants are billed monthly for their pro-rata share of operating costs. Certain costs defined as fixed costs are allocated to the participants based upon owned capacity in the plant. Currently, such costs include electricity, telephone, audit fees, insurance, permit fees, security and the purchase of water. The remaining costs of operating the system are considered variable costs and are allocated to each participant based upon the number of connections to the system. Investment earnings of the plant are allocated to the participants based upon owned capacity. Separate financial statements are available by contacting the District’s attorney or auditor.

At fiscal year ended November 30, 2020, the District’s reserve for operation and maintenance of the waste treatment plant was \$25,000. The total operating reserve for all participants is \$100,000. The District recorded a total of \$236,150 as its share of operating costs of the plant and \$52,500 for its share of capital costs.

**NOTE 7. EMERGENCY WATER SUPPLY AGREEMENTS**

On March 21, 1978, the District executed a Contract for Construction and Operation of an Emergency Water Supply Connection with Harris County Municipal Utility District No. 44 (“District No. 44”). The agreement was amended effective June 1, 1982 and March 21, 2018. The parties agreed to share in the cost of connecting the two systems together and to be responsible for maintaining the facilities on their side of the interconnect. The participants agree to furnish water to each other. The price to be paid for water delivered can be in kind by redelivery of a like quantity of water to the supplying district or at the rate charged by the supplying district’s regional water authority fee plus \$0.25 per thousand gallons of water. The term of the agreement is for one year from the date of execution of the most recent amendment and will automatically renew for successive one year terms unless otherwise terminated by either party upon 60 days written notice.

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

**NOTE 7. EMERGENCY WATER SUPPLY AGREEMENTS (Continued)**

On February 21, 1984, the District entered into an emergency water supply contract with Harris County Municipal Utility District No. 16. The interconnect facilities will be constructed, paid for, owned, operated and maintained by the District. The price to be paid for water furnished under the agreement can be either the resupply of water in the identical quantity or a rate of \$0.40 per 1,000 gallons of water used. On May 9, 1994, the agreement was amended to extend the term of the agreement to 20 years and to renew annually from year to year thereafter until terminated upon 60 days written notice by either party to the other.

On April 21, 1997, the District approved an emergency water interconnect agreement with Heatherloch Municipal Utility District. Under the terms of the agreement, the districts shared the construction costs of the interconnect equally and share any maintenance costs after construction of the interconnect equally. The agreement provided for each district to provide water to each other on an emergency basis at a price of \$0.50 per 1,000 gallons of water supplied. On June 19, 2000, the agreement was amended to provide for the supplying District to charge the receiving district the fee per 1,000 gallons of water in effect for the North Harris County Regional Water Authority at the time the water is supplied. This agreement shall be in force for a period of three years and shall continue thereafter year to year, subject to termination by either party by giving 60 days written notice. Construction of the interconnect was completed on December 5, 1998.

**NOTE 8. WATER SUPPLY AND WASTE DISPOSAL AGREEMENT**

On July 12, 1988, the District executed a Water Supply and Waste Disposal Agreement with the Spring Independent School District (the "School District"). On February 1, 2003, this agreement was superseded and replaced by a new Water Supply and Wastewater Treatment Agreement with the School District. Under the terms of the new agreement, the District agrees to provide water and wastewater treatment to certain tracts of land owned by the School District. The School District agrees to construct and maintain all lines and devices, including metering devices for measurement of flows, to provide for the transportation of water to their tracts and for the collection and transportation of waste from their tracts to the appropriate District facilities.

The School District shall have the right to discharge waste into the District's collection system, not to exceed 35,000 gallons per day average daily flow. The charge for water and sewer service will be 1.5 times the rates charged to non-profit users within the District. In addition to the foregoing rate for water, the School District shall reimburse the District for pumpage fees per thousand gallons of water delivered to the School District under this agreement that the District is required to pay to any other governmental authority. The formula for determining equivalent connections for billing of sewer services shall be 20 registered students equals one equivalent unit, with the total equivalent units to be adjusted annually on or about the 1<sup>st</sup> of November to reflect the average daily number of students used for state funding purposes for the then current school year. This agreement will be in force and effect for a period of 15 years from its date, unless terminated earlier, and shall continue after the initial 15 year period until terminated by either party on 60 days written notice.

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

**NOTE 9. BACKWASH WATER DISPOSAL AGREEMENT**

On June 25, 2001, the District entered into a Backwash Water Disposal Agreement with Heatherloch Municipal Utility District (“Heatherloch”). In accordance with the Agreement, the District, at its sole cost and expense, constructed a transmission line for the collection and transportation of backwash water from the District’s water plant to the point of connection with Heatherloch. The District is responsible for maintenance and operation of the transmission line. The District pays Heatherloch a minimum monthly charge of \$400 or two times the current rate per thousand gallons for sanitary sewer service for Heatherloch’s in-District commercial customers. The monthly flow will be metered. This agreement has a term of ten years and will continue until terminated by either party. During the current fiscal year, the District recorded expenditures in the amount of \$4,800 related to this agreement.

On November 15, 2004, the Amendment to Backwash Water Disposal Agreement was approved. In accordance with the amended agreement, the District conveyed its interest in the transmission line to Heatherloch upon payment of \$30,000 to the District. Heatherloch has become responsible for all maintenance and operations of the transmission line. All other terms of the original agreement will remain in force and effect.

**NOTE 10. RISK MANAGEMENT**

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

**NOTE 11. BONDS VOTED**

During a prior fiscal year, the voters of the District authorized the District to issue \$12,750,000 in bonds. As of the beginning of the prior fiscal year, the District had issued \$5,000,000 of bonds and had \$7,750,000 in voter authorized but unissued bonds. On November 6, 2018, voters of the District cancelled the remaining authorized but unissued bonds while giving the District a new authorization to issue \$19,825,000 of bonds.

**NOTE 12. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**

The District is located within the boundaries of the North Harris County Regional Water Authority (the “Authority”). The Authority was created under Article 16, Section 59 of the Texas Constitution by House Bill 2965 (the “Act”), as passed by the 75<sup>th</sup> Texas Legislature, in 1999. The Act empowers the Authority to provide for the conservation, preservation, protection, recharge and prevention of waste of groundwater, and for the reduction of groundwater withdrawals. The Authority is overseeing that its participants comply with the Harris-Galveston Subsidence District pumpage requirements. The District is required to convert its water supply to surface water over a period of time.

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

**NOTE 12. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY**  
(Continued)

The Authority charges a fee, based on the amount of water pumped from a well, to the owner of wells located within the boundaries of the Authority, unless exempted. The fee currently being charged is \$4.25 per 1,000 gallons of groundwater pumped from each well. The water plant recorded expenditures of \$80,374 for fees assessed during the current fiscal year. The District also purchases surface water from the Authority. The current rate is \$4.70 per 1,000 gallons of water delivered. The water plant recorded expenditures of \$474,594 for water purchased from the Authority during the current fiscal year.

Chloramine Conversion Reimbursement

The Authority required the District to convert its water system to chloramine disinfection for as long as it is connected to the Authority’s system. The District’s cost of this conversion was \$270,534. The Authority calculated the reimbursement at 6% interest over a 30-year period. The District began receiving chloramine conversion credits on the August 2011, Authority billing. Total credits received in the current fiscal year were \$19,654. Of this amount, \$5,419 was a return of principal with the balance being applicable to interest. The following is a schedule of the remaining chloramine conversion credits to be received under the terms of the agreement.

<u>Fiscal Year</u>	<u>Principal</u>
2021	\$ 5,758
2022	6,119
2023	6,502
2024	6,910
2025	7,343
2026-2030	44,216
2031-2035	59,911
2036-2040	81,177
2041	<u>12,809</u>
	<u>\$ 230,745</u>

**NOTE 13. WATER SUPPLY AGREEMENT**

On April 15, 2009, the District executed an Agreement with Fountainhead Municipal Utility District (“Fountainhead”). The agreement was amended on October 16, 2013 and February 17, 2016. In accordance with the agreement, Fountainhead paid \$520,000 to purchase capacity in the previously constructed water plant to serve at least 250 equivalent single family connections. If Fountainhead takes any water during any month in an amount that is in excess of the maximum Fountainhead quantity, Fountainhead shall pay to the District, in addition to all other amounts due under the terms of this agreement, \$2.00 per 1,000 gallons for the amount of water supplied during the month in excess of its’ maximum quantity. The agreement is for a term of 50 years.

**BAMMEL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2020**

**NOTE 13. WATER SUPPLY AGREEMENT (Continued)**

The District owns legal title to the facilities and is responsible for operating the water plant. The agreement requires each district to keep on deposit its pro-rata share of a three month operation and maintenance reserve. The District has advanced \$120,600 in accordance with this agreement and Fountainhead has advanced \$13,400 for a total reserve of \$134,000. The District's share of joint water costs was \$561,616 in the current fiscal year.

**NOTE 14. OPERATING LEASE - DIGESTER**

On January 9, 2018, the District entered into a 12 month lease agreement with AUC Group, L.P. (AUC) to lease an interim digester for the Wastewater Treatment Plant. The monthly lease payments are \$4,583. After the initial lease term has ended, the agreement shall automatically be extended for successive 30 day periods after the initial term until such time as the District gives AUC written notice of its intent to cancel and terminate the agreement. After the initial term, the monthly lease payment shall be reduced to \$2,000. The digester remains the sole and exclusive property of AUC at all times. The District has made the first and last months lease payments in accordance with the agreement. During the current fiscal year, the Special Revenue Fund for the Wastewater Treatment Plant recorded \$24,000 of expenditures per this agreement.

**NOTE 15. DUE TO DEVELOPERS**

The District has executed development financing agreements with Developers within the District. The agreements call for the Developers to fund costs associated with water, wastewater and drainage facilities until such time as the District can sell bonds to reimburse the Developers. The District has recorded a liability in the amount of \$3,382,173 in the Statement of Net Position.

**NOTE 16. ECONOMIC UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.



**BAMMEL UTILITY DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**NOVEMBER 30, 2020**



**BAMMEL UTILITY DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**  
**FOR THE YEAR ENDED NOVEMBER 30, 2020**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 565,508	\$ 601,836	\$ 36,328
Water Service	245,000	261,423	16,423
Wastewater Service	311,332	370,938	59,606
Regional Water Authority Fee	666,930	497,240	(169,690)
Penalty and Interest	17,000	25,636	8,636
Tap Connection and Inspection Fees	21,000	151,367	130,367
Investment Revenues	30,000	32,241	2,241
Miscellaneous Revenues	1,250	16,422	15,172
<b>TOTAL REVENUES</b>	<u>\$ 1,858,020</u>	<u>\$ 1,957,103</u>	<u>\$ 99,083</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees	\$ 127,000	\$ 174,205	\$ (47,205)
Contracted Services	41,750	247,060	(205,310)
Purchased Water	643,756	561,616	82,140
Purchased Wastewater Service	174,622	236,150	(61,528)
Repairs and Maintenance	855,500	211,777	643,723
Other	123,565	151,307	(27,742)
Capital Outlay	438,290	104,242	334,048
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,404,483</u>	<u>\$ 1,686,357</u>	<u>\$ 718,126</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (546,463)	\$ 270,746	\$ 817,209
<b>FUND BALANCE - DECEMBER 1, 2019</b>	<u>2,397,895</u>	<u>2,397,895</u>	
<b>FUND BALANCE - NOVEMBER 30, 2020</b>	<u>\$ 1,851,432</u>	<u>\$ 2,668,641</u>	<u>\$ 817,209</u>

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –**  
**SPECIAL REVENUE FUND-WASTEWATER TREATMENT PLANT**  
**FOR THE YEAR ENDED NOVEMBER 30, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Wastewater Service	\$ 744,785	\$ 1,005,811	\$ 261,026
Investment Revenues		7,418	7,418
FEMA Reimbursement		9,043	9,043
<b>TOTAL REVENUES</b>	<u>\$ 744,785</u>	<u>\$ 1,022,272</u>	<u>\$ 277,487</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees:			
Legal	\$ 7,000	\$ 2,530	\$ 4,470
Auditing	5,625	6,125	(500)
Engineering	15,000	18,900	(3,900)
Contracted Services:			
Bookkeeping	12,550	11,465	1,085
Operator Fees	145,000	150,456	(5,456)
Utilities	108,000	111,418	(3,418)
Purchased Water Service	360	612	(252)
Repairs and Maintenance	186,000	374,600	(188,600)
Insurance	18,000	15,526	2,474
Other Operating Expenditures:			
Chemicals	68,500	67,043	1,457
Laboratory Fees	66,000	51,726	14,274
Lease		24,000	(24,000)
Office Costs	3,750	2,115	1,635
Permit Fees	14,000	10,361	3,639
Security	10,000	840	9,160
Sludge Disposal	80,000	174,555	(94,555)
Other	5,000		5,000
<b>TOTAL EXPENDITURES</b>	<u>\$ 744,785</u>	<u>\$ 1,022,272</u>	<u>\$ (277,487)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ -0-	\$ -0-
<b>FUND BALANCE - DECEMBER 1, 2019</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>FUND BALANCE - NOVEMBER 30, 2020</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –**  
**SPECIAL REVENUE FUND-JOINT WATER PLANT**  
**FOR THE YEAR ENDED NOVEMBER 30, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Water Service	\$ 804,695	\$ 698,378	\$ (106,317)
Water Authority Credits	<u>19,655</u>	<u>19,654</u>	<u>(1)</u>
<b>TOTAL REVENUES</b>	<u>\$ 824,350</u>	<u>\$ 718,032</u>	<u>\$ (106,318)</u>
<b>EXPENDITURES</b>			
Service Operations:			
Professional Fees:			
Legal	\$ 5,000	\$ 320	\$ 4,680
Auditing	4,875	5,375	(500)
Engineering	10,000	7,312	2,688
Contracted Services:			
Bookkeeping	6,825	6,000	825
Operator Fees	40,000	39,686	314
Utilities	30,000	32,449	(2,449)
Purchased Water Service/Pumpage Fees	611,100	559,768	51,332
Repairs and Maintenance	82,000	42,011	39,989
Insurance	8,500	7,095	1,405
Other Operating Expenditures:			
Chemicals	20,000	17,027	2,973
Laboratory Fees	5,000		5,000
Office Costs	1,050	989	61
Capital Outlay			
<b>TOTAL EXPENDITURES</b>	<u>\$ 824,350</u>	<u>\$ 718,032</u>	<u>\$ 106,318</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ -0-	\$ -0-
<b>FUND BALANCE - DECEMBER 1, 2019</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>FUND BALANCE - NOVEMBER 30, 2020</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**THIS PAGE INTENTIONALLY LEFT BLANK**

**BAMMEL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION REQUIRED BY THE**  
**WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**  
**NOVEMBER 30, 2020**





**BAMMEL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED NOVEMBER 30, 2020**

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

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

**2. RETAIL SERVICE PROVIDERS**

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

Based on the rate order approved on March 9, 2020.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 13.00	3,000	N	\$ 1.00	3,001 to 6,000
				1.25	6,001 to 12,000
				2.00	12,001 to 18,000
				2.50	18,001 to 24,000
				3.25	24,001 to 30,000
				3.75	30,001 and up
WASTEWATER:	\$ 31.05*	6,000	N	\$ 0.75	6,001 to 18,000
				1.00	18,001 to 35,000
				1.25	35,001 and up
SURCHARGE:					
Regional Water Authority Fees			N	\$ 4.70 + 10%	1,000 and up
District employs winter averaging for wastewater usage?					_____ <u>  X  </u> Yes            No

Total monthly charges per 10,000 gallons usage: Water: \$21.00 Wastewater: \$34.05 Surcharge: \$51.70 Total \$106.75

\* Includes garbage service.

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED NOVEMBER 30, 2020**

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

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

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u>2</u>	<u>2</u>	x 1.0	<u>2</u>
≤¾"	<u>925</u>	<u>916</u>	x 1.0	<u>916</u>
1"	<u>9</u>	<u>9</u>	x 2.5	<u>23</u>
1½"	<u>3</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>20</u>	<u>18</u>	x 8.0	<u>144</u>
3"	<u>          </u>	<u>          </u>	x 15.0	<u>          </u>
4"	<u>          </u>	<u>          </u>	x 25.0	<u>          </u>
6"	<u>          </u>	<u>          </u>	x 50.0	<u>          </u>
8"	<u>1</u>	<u>1</u>	x 80.0	<u>80</u>
10"	<u>          </u>	<u>          </u>	x 115.0	<u>          </u>
Total Water Connections	<u><u>960</u></u>	<u><u>949</u></u>		<u><u>1,180</u></u>
Total Wastewater Connections	<u><u>949</u></u>	<u><u>938</u></u>	x 1.0	<u><u>938</u></u>

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

Gallons pumped into system:	20,227,000	Water Accountability Ratio: 98.2% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	95,850,000	
Gallons sold:	25,713,000	To: Fountainhead Municipal Utility District
Gallons purchased:	103,511,000	From: North Harris County Regional Water Authority

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED NOVEMBER 30, 2020**

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

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

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

Entirely  Partly  Not at all

ETJ in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 13,000
Engineering	82,667
Legal	74,383
Delinquent Tax Attorney	3,235
Financial Advisor	<u>920</u>
TOTAL PROFESSIONAL FEES	<u>\$ 174,205</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 561,616
Purchased Wastewater Service	<u>236,150</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 797,766</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 4,513
Bookkeeping	19,235
Operations and Billing	23,199
Solid Waste Disposal	174,436
Tax Collector	<u>25,677</u>
TOTAL CONTRACTED SERVICES	<u>\$ 247,060</u>
REPAIRS AND MAINTENANCE	<u>\$ 211,777</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 16,200
Insurance	6,755
Legal Notices	846
Office Supplies and Postage	39,357
Payroll Taxes	1,787
Travel and Meetings	3,282
Other	<u>8,209</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 76,436</u>

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT**  
**GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2020**

CAPITAL OUTLAY	<u>\$ 104,242</u>
TAP CONNECTIONS	<u>\$ 34,390</u>
OTHER EXPENDITURES:	
Laboratory Fees	\$ 17,108
Permit Fees	200
Reconnection Fees	4,043
Inspection Fees	16,235
Regulatory Assessment	<u>2,895</u>
TOTAL OTHER EXPENDITURES	<u>\$ 40,481</u>
TOTAL EXPENDITURES	<u>\$ 1,686,357</u>

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT**  
**INVESTMENTS**  
**NOVEMBER 30, 2020**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 207,309	\$
TexPool	XXXX0011	Varies	Daily	685,728	
Certificate of Deposit	XXXX9516	2.099%	01/17/21	225,000	4,097
Certificate of Deposit	XXXX1312	0.100%	04/15/21	200,000	125
Certificate of Deposit	XXXX8440	1.000%	04/12/21	246,682	1,568
Certificate of Deposit	XXXX3977	0.500%	01/10/21	246,704	477
Certificate of Deposit	XXXX2707	0.700%	07/12/21	246,687	667
Certificate of Deposit	XXXX0308	0.600%	01/15/21	201,845	451
TOTAL GENERAL FUND				<u>\$ 2,259,955</u>	<u>\$ 7,385</u>
<u>SPECIAL REVENUE FUND-WASTEWATER TREATMENT PLANT</u>					
TexPool	XXXX0003	Varies	Daily	\$ 224,764	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 2,484,719</u>	<u>\$ 7,385</u>

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED NOVEMBER 30, 2020**

	Maintenance Taxes	
TAXES RECEIVABLE -		
DECEMBER 1, 2019	\$ 592,382	
Adjustments to Beginning		
Balance	(1,181)	\$ 591,201
Original 2020 Tax Levy	\$ 605,932	
Adjustment to 2020 Tax Levy	24,594	630,526
TOTAL TO BE		
ACCOUNTED FOR		\$ 1,221,727
 TAX COLLECTIONS:		
Prior Years	\$ 570,241	
Current Year	37,362	607,603
 TAXES RECEIVABLE -		
NOVEMBER 30, 2020		\$ 614,124
 TAXES RECEIVABLE BY		
YEAR:		
2020		\$ 593,164
2019		10,444
2018		3,147
2017		1,571
2016		1,660
2015		612
2014		573
2013		490
2012		481
2011 and prior		1,982
TOTAL		\$ 614,124

See accompanying independent auditor's report.

**THIS PAGE INTENTIONALLY LEFT BLANK**



**BAMMEL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED NOVEMBER 30, 2020**

	2020	2019	2018	2017
PROPERTY VALUATIONS:				
Land	\$ 30,864,349	\$ 27,022,386	\$ 26,939,455	\$ 26,392,787
Improvements	148,344,727	146,265,182	134,873,755	132,404,744
Personal Property	3,977,186	3,853,602	3,570,516	2,979,975
Exemptions	(12,773,916)	(12,070,311)	(9,498,307)	(7,667,946)
TOTAL PROPERTY VALUATIONS	\$ 170,412,346	\$ 165,070,859	\$ 155,885,419	\$ 154,109,560
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance	0.37	0.37	0.37	0.37
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.37	\$ 0.37	\$ 0.37	\$ 0.37
ADJUSTED TAX LEVY*	\$ 630,526	\$ 610,762	\$ 575,970	\$ 570,429
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	5.93 %	98.29 %	99.45 %	99.72 %

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

Maintenance Tax – Maximum tax rate of \$0.50 per \$100 of assessed valuation approved by voters on May 2, 1998.

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND – FIVE YEARS**

	Amounts		
	2020	2019	2018
<b>REVENUES</b>			
Property Taxes	\$ 601,836	\$ 572,923	\$ 588,965
Water Service	261,423	221,611	224,389
Wastewater Service	370,938	322,275	323,528
Regional Water Authority Fee	497,240	394,082	353,537
Penalty and Interest	25,636	26,898	32,140
Tap Connection and Inspection Fees	151,367	73,475	1,300
Investment Revenues/Water Authority Credits	32,241	54,934	32,768
Miscellaneous Revenues	16,422	13,983	14,049
<b>TOTAL REVENUES</b>	<b>\$ 1,957,103</b>	<b>\$ 1,680,181</b>	<b>\$ 1,570,676</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 174,205	\$ 157,370	\$ 148,500
Contracted Services	247,060	218,937	219,598
Purchased Water Service	561,616	491,352	463,357
Purchased Wastewater Service	236,150	182,749	177,674
Repairs and Maintenance	211,777	149,585	77,748
Other	151,307	170,632	107,490
Capital Outlay	104,242	38,582	868,868
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,686,357</b>	<b>\$ 1,409,207</b>	<b>\$ 2,063,235</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 270,746</b>	<b>\$ 270,974</b>	<b>\$ (492,559)</b>
<b>BEGINNING FUND BALANCE</b>	<b>2,397,895</b>	<b>2,126,921</b>	<b>2,619,480</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 2,668,641</b>	<b>\$ 2,397,895</b>	<b>\$ 2,126,921</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>949</b>	<b>890</b>	<b>844</b>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>938</b>	<b>883</b>	<b>832</b>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2017	2016	2020	2019	2018	2017	2016
\$ 538,213	\$ 553,814	30.8 %	34.0 %	37.5 %	38.0 %	42.7 %
220,437	233,021	13.4	13.2	14.3	15.6	18.0
275,757	165,928	19.0	19.2	20.6	19.5	12.8
329,753	293,598	25.4	23.5	22.5	23.3	22.7
20,132	20,558	1.3	1.6	2.0	1.4	1.6
3,400	1,250	7.7	4.4	0.1	0.2	0.1
17,420	10,230	1.6	3.3	2.1	1.2	0.8
11,887	17,032	0.8	0.8	0.9	0.8	1.3
<u>\$ 1,416,999</u>	<u>\$ 1,295,431</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 121,779	\$ 92,834	8.9 %	9.4 %	9.5 %	8.6 %	7.2 %
168,351	61,089	12.6	13.0	14.0	11.9	4.7
412,945	380,763	28.7	29.2	29.5	29.1	29.4
286,535	169,710	12.1	10.9	11.3	20.2	13.1
135,141	87,408	10.8	8.9	4.9	9.5	6.7
119,834	95,077	7.7	10.2	6.8	8.5	7.3
52,424	16,308	5.3	2.3	55.3	3.7	1.3
<u>\$ 1,297,009</u>	<u>\$ 903,189</u>	<u>86.1 %</u>	<u>83.9 %</u>	<u>131.3 %</u>	<u>91.5 %</u>	<u>69.7 %</u>
\$ 119,990	\$ 392,242	<u>13.9 %</u>	<u>16.1 %</u>	<u>(31.3) %</u>	<u>8.5 %</u>	<u>30.3 %</u>
<u>2,499,490</u>	<u>2,107,248</u>					
<u>\$ 2,619,480</u>	<u>\$ 2,499,490</u>					
<u>844</u>	<u>841</u>					
<u>832</u>	<u>834</u>					

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**NOVEMBER 30, 2020**

District Mailing Address - Bammel Utility District  
c/o Young and Brooks  
10000 Memorial Drive, Suite 260  
Houston, TX 77024

District Telephone Number - (713) 951-0800

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended November 30, <u>2020</u>	Expense Reimbursements for the year ended November 30, <u>2020</u>	<u>Title</u>
Nicholas P. Fava	11/19 11/23 (Elected)	\$ 3,300	\$ 542	President
James E. Armand	11/17 11/21 (Elected)	\$ 4,050	\$ 1,266	Vice President
Jon C. Whisler	11/19 11/23 (Elected)	\$ 3,300	\$ 858	Secretary
Kenneth E. Rochow	11/19 11/23 (Elected)	\$ 3,300	\$ 527	Assistant Secretary
Bryan Pershall	02/20 11/21 (Appointed)	\$ 2,550	\$ -0-	Director

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

Submission date of most recent District Registration Form: February 12, 2020

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on May 10, 2004. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**BAMMEL UTILITY DISTRICT**  
**BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**NOVEMBER 30, 2020**

<b>Consultants:</b>	<u>Date Hired</u>	<u>General Fund</u>	<u>Special Revenue Fund- Wastewater Treatment Plant</u>	<u>Special Revenue Fund- Joint Water Plant</u>	<u>Title</u>
		Fees for the year ended November 30, 2020	Fees for the year ended November 30, 2020	Fees for the year ended November 30, 2020	
Young & Brooks	11/13/69	\$ 74,383	\$ 2,530	\$ 320	Attorney
McCall Gibson Swedlund Barfoot PLLC	10/14/91	\$ 13,000	\$ 6,125	\$ 5,375	Auditor
Myrtle Cruz, Inc.	08/29/78	\$ 21,496	\$ 13,753	\$ 6,905	Bookkeeper
Young & Brooks	11/13/69	\$ 3,235	\$ -0-	\$ -0-	Delinquent Tax Attorney
IDS Engineering Group	09/27/99	\$ 106,199	\$ 92,607	\$ 7,312	Engineer
The GMS Group, L.L.C.	02/23/98	\$ 920	\$ -0-	\$ -0-	Financial Advisor
Mary Jarmon	07/01/03	\$ -0-	\$ -0-	\$ -0-	Investment Officer
Water District Management Co.	12/01/83	\$ 277,182	\$ 761,093	\$ 98,724	Operator
Kenneth Byrd	03/25/70	\$ 29,455	\$ -0-	\$ -0-	Tax Assessor/Collector

See accompanying independent auditor's report.



**APPENDIX B**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the



United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100