

OFFICIAL STATEMENT DATED JANUARY 5, 2022

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND THE INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "LEGAL MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "LEGAL MATTERS - Qualified Tax-Exempt Obligations."

NEW ISSUE - Book-Entry Only

Ratings: S&P Global Ratings (AGM Insured) "AA" (stable outlook)
S&P Global Ratings (Underlying) "BBB+" (stable outlook)
See "BOND INSURANCE" and "RATINGS" herein

\$2,515,000
ROLLING CREEK UTILITY DISTRICT
(A Political Subdivision of the State of Texas located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2022

Dated: February 1, 2022

**Due: September 1, as shown on
the inside cover**

Interest Accrual Date: Date of Delivery

Principal of the above bonds (the "Bonds") is payable to the registered owner thereof (the "Registered Owner") at the principal payment office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected February 8, 2022) (the "Date of Delivery"), and is payable on September 1, 2022, and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See "THE BONDS - Book-Entry-Only System."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer").



See Maturity Schedule on the inside cover

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by Rolling Creek Utility District (the "District") in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds constitute the seventh series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. Following the issuance of the Bonds, the total of the District's direct bonded indebtedness, consisting of the Outstanding Bonds (defined in this Official Statement under the caption "THE BONDS - Outstanding Bonds and Payment Record") and the Bonds, will be \$22,435,000. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District authorized a total of \$64,605,000 principal amount of bonds for the purpose of acquiring and constructing the System, and for refunding purposes. Following the issuance of the Bonds, \$32,203,841.60 in bonds for waterworks, sanitary sewer, and drainage facilities and for refunding purposes will remain authorized but unissued. See "THE BONDS - Issuance of Additional Debt." The Bonds, when issued, constitute valid and legally binding obligations of the District, payable from the proceeds of an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject among other things to the approval of the Attorney General of Texas; and Coats Rose, P.C., Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about February 8, 2022.

MATURITY SCHEDULE
CUSIP Prefix (a): 775641

\$1,155,000 Serial Bonds

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$130,000	2023	2.00%	0.50%	GX5
140,000	2024	2.00	0.60	GY3
145,000	2025	2.00	0.75	GZ0
160,000	2026	2.00	0.90	HA4
140,000	2027	2.00	1.05	HB2
140,000	2028(c)	1.00	1.30	HC0
150,000	2029(c)	1.25	1.55	HD8
150,000	2030(c)	1.50	1.75	HE6

\$315,000 Term Bonds, Due September 1, 2032(c)(d), CUSIP Suffix HG1 (a), Interest Rate 2.00% (Yield 1.90%)(b)

\$315,000 Term Bonds, Due September 1, 2034(c)(d), CUSIP Suffix HJ5 (a), Interest Rate 2.00% (Yield 2.15%)(b)

\$450,000 Term Bonds, Due September 1, 2037(c)(d), CUSIP Suffix HM8 (a), Interest Rate 2.125% (Yield 2.30%)(b)

\$280,000 Term Bonds, Due September 1, 2039(c)(d), CUSIP Suffix HP1 (a), Interest Rate 2.25% (Yield 2.35%)(b)

-
- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District (hereinafter defined), the Financial Advisor (defined herein), nor the Underwriter (defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) The Bonds, including the Term Bonds, maturing on and after September 1, 2028, are subject to redemption prior to maturity at the option of Rolling Creek Utility District (the "District"), as a whole or in part, on September 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	4
SALE AND DISTRIBUTION OF THE BONDS	5
Award of the Bonds.....	5
Prices and Marketability.....	5
Securities Laws	5
BOND INSURANCE	5
Bond Insurance Policy	5
Assured Guaranty Municipal Corp.....	6
BOND INSURANCE RISK FACTORS	7
RATINGS.....	8
OFFICIAL STATEMENT SUMMARY	9
THE BONDS.....	18
General	18
Book-Entry-Only System.....	18
Use of Certain Terms in Other Sections of this Official Statement.....	20
Record Date.....	20
Assignments, Transfers and Exchanges	20
Redemption Provisions	21
Replacement of Registrar	22
Authority for Issuance	22
Outstanding Bonds and Payment Record	22
Source of Payment	23
Issuance of Additional Debt	23
No Arbitrage.....	24
Annexation and Consolidation	24
Registered Owners' Remedies	24
Bankruptcy Limitation to Registered Owners' Rights	25
Legal Investment and Eligibility to Secure Public Funds in Texas	25
Defeasance	26
Use and Distribution of Bond Proceeds	26
THE DISTRICT	28
Authority	28
Description	28
Management of the District.....	28
DEVELOPMENT OF THE DISTRICT	29
DEVELOPERS.....	31
General	31
Description of the Developers.....	32
BUILDERS.....	32
FUTURE DEVELOPMENT	32
AERIAL PHOTOGRAPH OF THE DISTRICT	34
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	35
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	36
DISTRICT DEBT.....	37
Debt Service Requirement Schedule.....	37
Bonded Indebtedness.....	38
Estimated Direct and Overlapping Debt Statement.....	40

TAX DATA.....	41
Debt Service Tax.....	41
Maintenance Tax.....	41
Tax Rate Distribution.....	41
Analysis of Tax Base.....	41
Historical Values and Tax Collection History.....	42
Tax Rate Calculations.....	42
Principal 2021 Property Owners.....	43
Estimated Overlapping Taxes.....	44
TAXING PROCEDURES.....	45
Authority to Levy Taxes.....	45
Exempt Property.....	45
County-Wide Appraisal District.....	46
Assessment and Levy.....	46
Reappraisal of Property after Disaster.....	47
District and Taxpayer Remedies.....	47
Rollback of Operation and Maintenance Tax Rate.....	47
Collection.....	49
District's Rights in the Event of Tax Delinquencies.....	49
Tax Payment Installments after Disaster.....	49
THE SYSTEM.....	50
Regulation.....	50
Description.....	50
Subsidence and Conversion to Surface Water Supply.....	52
INVESTMENT CONSIDERATIONS.....	52
General.....	52
Factors Affecting Taxable Values and Tax Payments.....	53
Principal Land Owners' Obligations to the District.....	54
Maximum Impact on District Tax Rates.....	54
Tax Collection Limitations.....	55
Registered Owners' Remedies and Bankruptcy.....	55
Marketability.....	56
Future Debt.....	56
Competitive Nature of Houston Residential Housing Market.....	56
Continuing Compliance with Certain Covenants.....	56
Approval of the Bonds.....	57
Environmental Regulations.....	57
Extreme Weather Events.....	60
Infectious Disease Outbreak (COVID-19).....	60
Potential Effects of Oil Price Fluctuations on the Houston Area.....	61
Changes in Tax Legislation.....	61
LEGAL MATTERS.....	61
Legal Opinions.....	61
No Arbitrage.....	62
No-Litigation Certificate.....	62
No Material Adverse Change.....	62
Tax Exemption.....	62
Tax Accounting Treatment of Discount and Premium on Certain Bonds.....	63
Qualified Tax-Exempt Obligations.....	64
SOURCES OF INFORMATION.....	64
General.....	64
Experts.....	65
Certification as to Official Statement.....	65
Updating of Official Statement.....	65

CONTINUING DISCLOSURE OF INFORMATION.....	65
Annual Reports.....	66
Event Notices	66
Availability of Information	67
Limitations and Amendments	67
Compliance With Prior Undertakings	67

APPENDIX A - LOCATION MAP

APPENDIX B - ANNUAL AUDIT REPORT

APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

Neither the District nor the Underwriter makes any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified with words or phrases such as "anticipates," "believes," "could," "estimates," "expects," "foresees," "may," "predict," "should," "will," or other words or phrases of similar import. All statements included in this Official Statement that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made in light of experience and perceptions of historical trends, current conditions, and expected future developments as well as other factors the District believes are appropriate in the circumstances. However, whether actual results and developments conform with expectations and predictions is subject to a number of risks and uncertainties, including, without limitation, the information discussed under "INVESTMENT CONSIDERATIONS" in this Official Statement, as well as additional factors beyond the District's control. The important risk factors and assumptions described under that caption and elsewhere herein could cause actual results to differ materially from those expressed in any forward-looking statement. All of the forward-looking statements made in this Official Statement are qualified by these cautionary statements.

Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") 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 C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the "Underwriter" or the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" at a price of 98.205276% of the principal amount thereof, which resulted in a net effective interest rate of 2.169891%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

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

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

Securities Laws

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

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 October 20, 2021, 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 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 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 September 30, 2021:

- The policyholders' surplus of AGM was approximately \$2,910 million.
- The contingency reserve of AGM was approximately \$963 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,124 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.

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);
- (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); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 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."

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments.

In the event the Insurer is unable to make payment of principal and interest on the Bonds 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 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 Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "BOND INSURANCE" and "RATINGS" herein. As is stated in this Official Statement under the caption "LEGAL MATTERS - No Material Adverse Change," the rating of the Insurer's creditworthiness by any rating agency does not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligation to take up and pay for the Bonds.

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

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

RATINGS

S&P Global Ratings ("S&P") is a business unit of Standard & Poor's Financial Services LLC. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest ratings).

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by S&P is "BBB+" (stable outlook).

An explanation of the significance of the foregoing ratings may only be obtained from S&P. The foregoing ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

OFFICIAL STATEMENT SUMMARY

The following summary of certain information contained herein is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

The Issuer.....	Rolling Creek Utility District (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
The Issue	The \$2,515,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”), are dated February 1, 2022. An aggregate of \$1,155,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2023 through 2030, inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$1,360,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2032, 2034, 2037, and 2039 (collectively, the “Term Bonds”), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. Interest on the Bonds accrues from the Date of Delivery, at the rates shown on the inside cover hereof, and is payable on September 1, 2022, and on each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The Bonds, including the Term Bonds, maturing on and after September 1, 2028, are subject to redemption, in whole or from time to time in part, on September 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions - Mandatory Redemption,” which amounts are subject to reduction by prior cancellation and optional redemption. See “THE BONDS - General” and - “Redemption Provisions.” The Bonds will be issued pursuant to a Bond Resolution (the “Bond Resolution”) adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54, Texas Water Code, as amended.
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 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 “THE BONDS - Book-Entry-Only System”).
Source of Payment	The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS - Source of Payment.”

Principal Use of Bond Proceeds.....	Proceeds of the sale of the Bonds will be used to (i) finance the District's cost of acquisition or construction of Grand Oaks Mitigation Pond, Phase 2, and water, wastewater and drainage facilities to serve Grand Oaks, Sections 9, and 12 through 14, including geotechnical, GPS and materials testing for all of such projects; (ii) pay interest on funds advanced on the District's behalf by the developers of land located within the District (described below under the caption "Developers"); (iii) pay engineering fees associated with the foregoing projects, and Storm Water Pollution Prevention; and (iv) pay issuance costs, legal fees, fiscal advisor's fees, fees to the Texas Commission on Environmental Quality (the "TCEQ") and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."
Payment Record	The District has previously issued Unlimited Tax Bonds, Series 1985 (the "Series 1985 Bonds"), Unlimited Tax Bonds, Series 2002 (the "Series 2002 Bonds"), Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax Bonds, Series 2014 (the "Series 2014 Bonds"), Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds") and Unlimited Tax Bonds, Series 2020A (the "Series 2020A Bonds") to finance the acquisition or construction of components of the System (hereinafter defined). The District also has issued Unlimited Tax Refunding Bonds, Series 1998 (the "Series 1998 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Bonds") and Unlimited Tax Refunding Bonds, Series 2020 (the "Series 2020 Bonds") to refund outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the "Prior Bonds." The District has never defaulted in the timely payment of principal of and interest on the Prior Bonds. As of the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds, which will not have been defeased or otherwise paid by the District, will be \$19,920,000 (the "Outstanding Bonds"), and the aggregate principal amount of the District's total direct bonded indebtedness, including the Bonds, will be \$22,435,000. See "DISTRICT DEBT - Debt Service Requirement Schedule." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," "THE SYSTEM - Description," and "INVESTMENT CONSIDERATIONS - Future Debt."
Authorized but Unissued Bonds.....	\$32,203,841.60 bonds for waterworks, wastewater and drainage facilities and for refunding purposes will remain authorized but unissued after issuance of the Bonds. See "THE BONDS - Authority for Issuance" and "Issuance of Additional Debt."
Municipal Bond Insurance	Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."

Municipal Bond Rating	S&P Global Ratings (AGM Insured) “AA” (stable outlook). S&P Global Ratings (Underlying) “BBB+” (stable outlook). See “BOND INSURANCE” and “RATINGS.”
Qualified Tax-Exempt Obligations	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”
Qualified Tax-Exempt Obligations	The District will designate the Bonds as “qualified tax-exempt obligations” pursuant to Section 265 (b) of the Internal Revenue Code of 1986. See “LEGAL MATTERS - Qualified Tax-Exempt Obligations.”
Legal Opinion.....	Coats Rose PC, Houston, Texas, Bond Counsel. See “LEGAL MATTERS” and “TAX EXEMPTION.”
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District.

THE DISTRICT

Description	Rolling Creek Utility District, a political subdivision of the State of Texas, was created by an Act of the 62nd Legislature of the State of Texas, Regular Session, 1971. The District contains approximately 552.14 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas, approximately 21 miles northwest of the central business district of Houston. The largest portion of the District is bounded on the north by Old Greenhouse Road, on the west by Greenhouse Road, on the east by Bear Creek and on the south by Clay Road. The District also contains tracts at the southeast corner of Greenhouse Road and Clay Road and at the southeast and southwest corners of Barker-Cypress Road and Clay Road. The District is located entirely within Harris County, Texas. 474 acres within the District are located within Cypress-Fairbanks Independent School District and 77 acres within the District are located within Katy Independent School District. See “THE DISTRICT - Description” and “APPENDIX A - LOCATION MAP.”
Authority	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - Authority.”
Development of the District	The development of approximately 440.96 of the approximately 552.14 acres of land in the District has been completed. As of December 1, 2021, the District contained 1,495 homes, including 24 homes under construction, 50 lots currently under development, and 34 vacant fully developed single-family residential lots that are available for home construction. See “BUILDERS.” Taxable commercial improvements which have been completed on unrestricted reserves located in the District consist of a gasoline service station and convenience store, a Kwik Kar Lube, a Wells Fargo Bank, a shopping center, a Quick Cleaners, a McDonald’s restaurant, a 450-unit storage facility and a 156-pod luxury recreational vehicle storage facility.

According to the District's Engineer, the development of (i) 1,529 single-family residential lots (approximately 399.56 acres) plus (ii) certain unrestricted reserves (approximately 41.40 acres) used and expected to be used for commercial and/or multi-family residential purposes has been completed on approximately 440.96 of the District's approximately 552.14 acres as is described below. Approximately 109.72 of such acres have been developed as the Rolling Creek, Section 1 subdivision which contains 496 fully developed single-family residential lots. On November 15, 1996, Bene Vista Venture (see "DEVELOPERS" below), acquired Rolling Creek, Section 1 plus approximately 346.29 undeveloped acres located within the District. Bene Vista Venture has developed 633 single-family residential lots contained within the Rolling Creek, Section 1 Replat and Grand Oaks, Sections 1 through 4, 10 and 11 (approximately 177.64 acres). Bene Vista owns approximately 9.25 acres of currently undeveloped land located within the District, all of which are expected to be developed for future commercial purposes, although no specific plan for development of such acres has been reported to the District.

Bene Vista sold approximately 49.81 acres located within the District to BGM Land Investments, Ltd. ("BGM") and approximately 53.85 acres located within the District to a related party, Woodmere Development Co., Ltd. ("Woodmere"). Woodmere has developed 321 single-family residential lots located in the subdivisions that have been platted as Grand Oaks, Sections 5 through 9, 12 and 14 (a total of approximately 80.79 acres), and is currently developing Grand Oaks, Section 13 (50 lots on approximately 10.70 acres) in the District as is delineated in the chart that appears in this Official Statement under that caption "DEVELOPMENT OF THE DISTRICT - Residential Units." The completion of the development of Grand Oaks, Section 13 is expected by approximately the end of December 2021. Long Lake, Ltd. ("Long Lake"), doing business as Lakewood Homes and Briarwood Homes, has constructed and is constructing homes on lots purchased from Woodmere in Grand Oaks as is described below under the caption "Builders." BGM owns approximately 45.59 acres of currently undeveloped land located within the District, all of which are expected to be developed into future single-family residential lots. It is currently expected that Woodmere will purchase land from BGM on an as-need basis with the intention of developing such land into single-family residential lots as development of the District progresses, although Woodmere has no obligation to the District to do so.

Approximately 31.41 District acres have been developed by a former developer as Amesbury Park, Section 1, which contains 79 fully developed single-family residential lots, on all of which lots homes have been constructed and sold to home purchasers. Approximately 41.4 acres described above have been developed as unrestricted reserves and are expected to be used for commercial and/or multi-family residential purposes for which perimeter trunk water distribution, wastewater collection and storm drainage facilities and street paving have been completed.

There are approximately 60.64 acres of land located within the District available for future development which are currently undeveloped. Approximately 9.25 of such undeveloped acres are owned by Bene Vista and approximately 5.8 of such undeveloped acres are owned by Prima Terra LLC, neither of which has reported any definitive

development plan for any of such acreage to the District. Approximately 45.59 of such undeveloped acres are owned by BGM, all of which is expected to be developed as future single-family residential lots. Since no party, including Bene Vista, Prima Terra LLC, BGM or Woodmere, has any obligation to the District to develop any of such currently undeveloped acres according to any development plan, schedule or at all, the District cannot represent when, or whether, any of such currently undeveloped acres might be developed. The balance of the land located within the District is contained within District facilities sites, major thoroughfare rights of way, drainage easements, is dedicated for park or recreational usage, or is otherwise not available for development. See “FUTURE DEVELOPMENT,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS.”

In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System, and other items, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

Developers

Bene Vista Venture, a California limited partnership (“Bene Vista”) has developed the 633 single-family residential lots located in Rolling Creek, Section 1 Replat and Grand Oaks, Sections 1 through 4, 10 and 11 (approximately 177.64 acres). Bene Vista sold approximately 49.81 undeveloped acres located within the District to BGM (as defined below) and 53.85 undeveloped acres located within the District to Woodmere (as defined below). Bene Vista owns approximately 9.25 acres of currently undeveloped land located in the District.

Woodmere Development Co., Ltd., a Texas limited partnership (“Woodmere”) has developed the 321 single-family residential lots located in Grand Oaks, Sections 5 through 9, 12 and 14 (approximately 80.79 acres) and is currently developing Grand Oaks, Section 13 (50 lots on approximately 10.70 acres) in the District, with completion expected by approximately the end of December 2021. The general partner of Woodmere is Woodmere GP, L.L.C., a Texas limited liability company. BGM Land Investments, Ltd. (“BGM”), a Texas limited partnership, the general partner of which is G.P. Landvest L.L.C., a party that is related to Woodmere, owns approximately 45.59 acres of currently undeveloped land located within the District, all which are expected to be developed as future single-family residential lots. It is currently expected that Woodmere will purchase land from BGM on an as-needed basis with the intention of developing such land into single-family residential lots as development of the District progresses, although Woodmere has no obligation to the District to do so. After developing the land, Woodmere sells the developed lots on an as-needed basis to a related party, Long Lake, Ltd. (“Long Lake”), a Texas limited partnership that is doing business in the District as Lakewood Homes and Briarwood Homes, which has constructed and is constructing homes within the District as is described in the chart that appears in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT - Residential Units” and under the caption “BUILDERS.” Woodmere, BGM and Long Lake

are all under common management and common ownership and, through one or more of such entities, have been in the land development business since 1997.

Bene Vista and Woodmere are collectively referred to herein as the “Developers.”

Builders

Lakewood Homes and Briarwood Homes are currently building homes in Grand Oaks. Such home building companies are referred to herein as the “Builders.”

Homes which are currently being constructed in Grand Oaks located within the District by Lakewood Homes and Briarwood Homes range in size from approximately 2,046 square feet to 4,035 square feet of living area and sales price from approximately \$338,990 to \$460,990.

Infectious Disease Outbreak (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.

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AS SET FORTH IN THIS OFFICIAL STATEMENT. PROSPECTIVE PURCHASERS SHOULD CAREFULLY EXAMINE THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING THEIR INVESTMENT DECISIONS, ESPECIALLY THE PORTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2021 Assessed Valuation..... (As of January 1, 2021) See "TAX DATA" and "TAXING PROCEDURES"	\$ 390,996,815 (a)
Direct Debt:	
Outstanding Bonds.....	\$ 19,920,000
The Bonds	<u>2,515,000</u>
Total	\$ 22,435,000 (b)
Estimated Overlapping Debt	\$ <u>22,921,112</u>
Total Direct and Estimated Overlapping Debt	\$ <u>45,356,112</u>
Ratio of Direct Debt : as a percentage of 2021 Assessed Valuation.....	5.74 %
Ratio of Direct and Estimated Overlapping Debt : as a percentage of 2021 Assessed Valuation.....	11.60 %
Debt Service Fund Balance as of December 1, 2021	\$ 2,345,124 (c)
General Fund Balance as of December 1, 2021	\$ 3,667,336
2021 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$0.39
Maintenance Tax.....	<u>0.25</u>
Total	\$ 0.64 (d)
Average Percentage of Total Tax Collections (2011-2020) as of November 30, 2021	99.78 %
Percentage of Tax Collections (2021) as of November 30, 2021 (In process of collection.).....	5.23 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2039).....	\$ 1,648,340 (d)
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2039)	\$ 1,672,469 (d)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2039) at 95% Tax Collections	
Based Upon 2021 Assessed Valuation.....	\$ 0.45 (d)
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2039) at 95% Tax Collections	
Based Upon 2021 Assessed Valuation.....	\$ 0.46 (d)
Number of Single-Family Homes (including 24 homes under construction) as of December 1, 2021.....	1,495

Taxable Commercial Improvements Located within the District:

Completed:

Gasoline Service Station and Convenience Store
Kwik Kar Lube
Wells Fargo Bank
Shopping Center
Quick Cleaners
450-Unit Storage Facility
156-Pod Luxury Recreational Vehicle Storage Facility
McDonald's Restaurant

- (a) As of January 1, 2021, and comprises the District's 2021 tax roll. Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$691,327, which total is included in the amount of \$390,996,815. The Appraisal District has proposed the valuation of such protested properties to be \$751,710. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,565,760, which total is also included in the amount of \$390,996,815. The District is unable to predict the amount of the District's final 2021 Assessed Valuation. Such final 2021 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2021.
- (b) See "DISTRICT DEBT." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such sum gives effect to the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due in 2021. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due September 1, 2022.
- (d) The District levied a debt service tax rate of \$0.39 per \$100 of Assessed Valuation and a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2021. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2021 tax levies of all units of government which levy taxes against the property located within the District, including the District's total tax rate of \$0.64 per \$100 of Assessed Valuation, is \$2.730968 per \$100 of Assessed Valuation as to the portion of the District (approximately 474 acres) that lies within the Cypress-Fairbanks Independent School District, and \$2.662040 per \$100 of Assessed Valuation as to the approximately 77 acres (including Amesbury Park) that lies within the Katy Independent School District. Such aggregate levies are higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although they are within the range of the tax rates being levied by municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. See "TAX DATA" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

OFFICIAL STATEMENT
\$2,515,000
ROLLING CREEK UTILITY DISTRICT
UNLIMITED TAX BONDS
SERIES 2022

THE BONDS

General

This Official Statement provides certain information with respect to the issuance by Rolling Creek Utility District (the “District”) of its \$2,515,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”).

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the resolution (the “Bond Resolution”) of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds. A copy of the Bond Resolution may be obtained from the District upon written request made to the District’s Financial Advisor, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024.

The Bonds are dated February 1, 2022, with interest payable on September 1, 2022, and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. Interest on the Bonds initially accrues from the Date of Delivery, and thereafter, from the most recent Interest Payment Date. An aggregate of \$1,155,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2023 through 2030, inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$1,360,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2032, 2034, 2037, and 2039 (collectively, the “Term Bonds”), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption upon presentation to the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”). Interest on the Bonds is based on a 360-day year of twelve 30-day months. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described below under “Book-Entry-Only System.”

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York, (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their

respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Record Date

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

Assignments, Transfers and Exchanges

In the event the book-entry-only system is discontinued, the Bonds may be transferred, registered and assigned only on the registration books of the Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of delivery of the Bonds to the Initial Purchaser (the "Initial Delivery"), any Bond may be transferred or exchanged upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three business days after the receipt of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the District nor the Registrar is required (1) to transfer or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within thirty (30) calendar days of the redemption date. The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or on receipt of satisfactory evidence of such destruction, loss or theft and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District will require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

Mandatory Redemption

The Term Bonds maturing on September 1 in each of the years 2032, 2034, 2037, and 2039, shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption or prior cancellation, as provided under "Optional Redemption" below).

\$315,000 Term Bonds Maturing on September 1, 2032

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2031	\$165,000
September 1, 2032 (maturity)	150,000

\$315,000 Term Bonds Maturing on September 1, 2034

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2033	\$160,000
September 1, 2034 (maturity)	155,000

\$450,000 Term Bonds Maturing on September 1, 2037

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2035	\$150,000
September 1, 2036	150,000
September 1, 2037 (maturity)	150,000

\$280,000 Term Bonds Maturing on September 1, 2039

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2038	\$150,000
September 1, 2039 (maturity)	130,000

Notice of the mandatory redemption of Term Bonds will be provided at least thirty (30) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM."

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds, including the Term Bonds, maturing on and after September 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System. See "BOOK-ENTRY-ONLY SYSTEM." If less than all of the entire outstanding principal amount of a Term Bond is to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption or prior cancellation. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Order.

Effects of Redemption

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

Replacement of Registrar

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

Authority for Issuance

On April 7, 1984, the District authorized \$25,000,000 in construction bonds. In 1985, the District issued the Series 1985 Bonds pursuant to such authorization. On January 17, 1998, the District authorized \$25,000,000 in construction or refunding bonds, replacing the authorized but unissued bonds from such April 7, 1984 authorization. On November 3, 2015, the District authorized \$35,530,000 in additional construction bonds. The total principal amount of bonds authorized by the District is \$64,605,000. The Bonds constitute the twelfth installment of \$25,000,000 in bonds for waterworks, sanitary sewer and drainage facilities and for refunding such bonds authorized at the election held within the District on January 17, 1998. Following the issuance of the Bonds, an aggregate of \$32,203,841.60 principal amount of bonds will remain authorized but unissued for waterworks, sanitary sewer and drainage facilities and for refunding purposes. See “Issuance of Additional Debt” below.

The Bonds are issued pursuant to the Bond Resolution, and Chapters 49 and 54 of the Texas Water Code, as amended, and an order of the Texas Commission on Environmental Quality (the “TCEQ”).

Outstanding Bonds and Payment Record

The Bonds constitute the seventh series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the “System”) to serve the District. The District has previously issued Unlimited Tax Bonds, Series 1985 (the “Series 1985 Bonds”), Unlimited Tax Bonds, Series 2002 (the “Series 2002 Bonds”), Unlimited Tax Bonds, Series 2006 (the “Series 2006 Bonds”), Unlimited Tax Bonds, Series 2014 (the “Series 2014 Bonds”), Unlimited Tax Bonds, Series 2019 (the “Series 2019 Bonds”) and Unlimited Tax Bonds, Series 2020A (the “Series 2020A Bonds”) to finance the acquisition or construction of components of the System (hereinafter defined). The District also has issued Unlimited Tax Refunding Bonds, Series 1998 (the “Series 1998 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Bonds”) and Unlimited Tax Refunding Bonds, Series 2020 (the “Series 2020 Bonds”) to refund outstanding bonds of the District. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the “Prior Bonds.” The District has never defaulted in the timely payment of principal of and interest on the Prior Bonds. As of the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds, which will not have been defeased or otherwise paid by the District, will be \$19,920,000 (the “Outstanding Bonds”), and the aggregate principal amount of the District’s total direct bonded indebtedness, including the Bonds, will be \$22,435,000. See “DISTRICT DEBT - Debt Service Requirement Schedule.” In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See “Issuance of Additional Debt” and “Use and Distribution of Bond Proceeds” below, “THE SYSTEM - Description,” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Source of Payment

The Outstanding Bonds (hereinafter defined) and the Bonds (together with any additional tax bonds as may hereafter be issued by the District) are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees and Appraisal District fees. Tax proceeds, after deduction for collection costs, will be placed in the debt service fund and used solely to pay principal of and interest on the Outstanding Bonds and the Bonds, and on additional bonds payable from taxes which may be issued, and Registrar fees.

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

Issuance of Additional Debt

The District has reserved the right in the Bond Resolution to issue additional bonds. Following the issuance of the Bonds, the District will have the right to issue \$32,203,841.60 in bonds for waterworks, wastewater, and drainage facilities, and for refunding purposes, as approved by the District's voters at the election held on January 17, 1998, and November 3, 2015.

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Except for such refunding bonds, before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities, the District would have to obtain approval of the TCEQ for the issuance of such bonds and the projects to be financed thereby. Since the District has not financed all components of the System which it currently expects to finance, the District anticipates issuing additional bonds for such purposes as future development in the District necessitates. The District anticipates financing its cost of acquiring or constructing additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "THE SYSTEM - Description" and "INVESTMENT CONSIDERATIONS - Future Debt." Based on present engineering cost estimates, in the opinion of the District's consulting engineer, LJA Engineering, Inc. (the "Engineer"), the aforementioned \$32,203,841.60 authorized but unissued bonds for waterworks, wastewater, and drainage facilities will be adequate to finance the extension of waterworks, wastewater and drainage facilities to serve all of the remaining undeveloped portions of the District.

The District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The District further has the right to issue refunding bonds, in addition to the refunding bonds described above, with additional voter approval. The Bond Resolution places no limitation on the amount of additional bonds which may be issued by the District.

The District also is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park 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. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, or in the event the District meets certain conditions, three percent of the value of taxable property in the District at the time of issuance of the bonds, but in no event in an amount greater than the estimated cost of the plan. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

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

No Arbitrage

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

Annexation and Consolidation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston consent ordinance. Generally, the District may be annexed by the City of Houston without the District’s consent, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

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

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

Registered Owners’ Remedies

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

Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Even if the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. In addition, certain traditional legal remedies also may not be available. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners. See "Bankruptcy Limitation to Registered Owners' Rights" below and "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies and Bankruptcy."

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. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. §§901-946, if the District: (1) is generally authorized to file for federal bankruptcy protection by State law; (2) is insolvent or unable to meet its debts as they mature; (3) desires to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a municipal utility district such as the District must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ must investigate the financial condition of the District and will authorize the District to proceed only if the TCEQ determines that 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.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts and the Bankruptcy Court would confirm the District's plan if: (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code; (2) all payments to be made in connection with the plan are fully disclosed and reasonable; (3) the District is not prohibited by law from taking any action necessary to carry out the plan; (4) administrative expenses are paid in full; and (5) the plan is in the best interests of creditors and is feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner 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 such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, 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, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book entry form and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Resolution.

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. Because the Bond Resolution does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used to (i) finance the District's cost of acquisition or construction of Grand Oaks Mitigation Pond, Phase 2, and water, wastewater and drainage facilities to serve Grand Oaks, Sections 9, and 12 through 14, including geotechnical, GPS and materials testing for all of such projects; (ii) pay interest on funds advanced on the District's behalf by the developers of land located within the District (described below under the caption "DEVELOPERS"); (iii) pay engineering fees associated with the foregoing projects, and Storm Water Pollution Prevention; and (iv) pay issuance costs, legal fees, fiscal advisor's fees, fees to the Texas Commission on Environmental Quality (the "TCEQ") and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

I.	Construction Costs	<u>District's Share</u>
	A. Developer Contribution Items ^(a)	
	1. Grand Oaks, Section 9 Water, Wastewater and Drainage	\$190,801
	2. Grand Oaks, Section 12 Water, Wastewater and Drainage	336,626
	3. Grand Oaks, Section 13 Water, Wastewater and Drainage	349,641
	4. Grand Oaks, Section 14 Water, Wastewater and Drainage	286,531
	5. Mitigation Pond Expansion, Phase 2	249,211
	6. Engineering and Testing	<u>862,433</u>
	Total Developer Contribution Items	\$2,275,243
	B. District Items	
	None	
	Less Use of Surplus Funds	<u>(172,590)</u>
	TOTAL CONSTRUCTION COSTS	<u>\$2,102,653</u>
II.	Non-Construction Costs	
	A. Legal Fees	\$75,450
	B. Fiscal Advisor Fees	50,300
	C. Developer Interest ^(b)	112,963
	D. Bond Discount	45,138
	E. Bond Issuance Expenses	44,381
	F. Bond Application Report Costs	45,000
	G. Attorney General Fee	2,515
	H. TCEQ Bond Issuance Fee	6,288
	I. Contingencies ^(c)	<u>30,312</u>
	TOTAL NON-CONSTRUCTION COSTS	<u>\$412,347</u>
	TOTAL BOND ISSUE REQUIREMENTS	<u>\$2,515,000</u>

(a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.

(b) Represents interest owed on advances of construction costs and engineering fees made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the party that is entitled to such payment has borrowed funds.

(c) Represents funds which may be used by the District only upon approval of the TCEQ.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the Bonds should be sufficient to cover the costs of the above described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

Authority

Rolling Creek Utility District, a political subdivision of the State of Texas, was created by an Act of the 62nd Legislature of the State of Texas, Regular Session, 1971. The District was created pursuant to the authority of Chapter 54, Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code, as amended. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and to provide such facilities and services to the customers of the District. The District, if approved by the voters within the District, the TCEQ, and other governmental entities having jurisdiction, may establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Under certain circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. The District is subject to the continuing supervision of the TCEQ in certain matters.

Description

The District contains approximately 552.14 acres of land. The District is located entirely within the extraterritorial jurisdiction of the City of Houston, Texas, approximately 21 miles northwest of the central business district of Houston. The largest portion of the District is bounded on the north by Old Greenhouse Road, on the west by Greenhouse Road, on the east by Bear Creek and on the south by Clay Road. The District also contains tracts at the southeast corner of Greenhouse Road and Clay Road and at the southeast and southwest corners of Barker-Cypress Road and Clay Road. The District is located entirely within Harris County, Texas. 474 acres within the District are located within Cypress-Fairbanks Independent School District and 77 acres within the District are located within Katy Independent School District. See “APPENDIX A - LOCATION MAP.”

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in odd numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. Two Directors currently reside within the District. The other three Directors own separate parcels of land subject to separate non-recourse promissory notes secured by deeds of trust in favor of a developer.

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Kenneth B. Levenson	President	2025
Adrian M. Shapiro	Vice President	2023
Gary Brown	Secretary/Treasurer	2023
Clay Deaton	Vice President & Assistant Secretary	2025
Ashley B. Sober	Assistant Secretary	2025

The District does not have a general manager, but has contracted for services, or employs directly, as follows:

Bookkeeper - The District's bookkeeper is Myrtle Cruz, Inc. According to Myrtle Cruz, Inc., it serves as bookkeeper for approximately 359 utility districts.

Tax Assessor/Collector - The District has engaged Bob Leared Interests, Houston, Texas, as the District's Tax Assessor/Collector. According to Bob Leared Interests, it presently serves approximately 150 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Consulting Engineers - The District has engaged LJA Engineering, Inc., Houston, Texas, as Consulting Engineer on a contract basis to provide engineering services to the District.

Auditor - The District has engaged Mark C. Eyring, CPA, PLLC, to audit its financial statements for the year ending July 31, 2021. A copy of the District's audit for the fiscal year ended July 31, 2021, is included as "APPENDIX B" to this Official Statement.

Financial Advisor - The District has engaged Rathmann & Associates, L.P. as financial advisor (the "Financial Advisor") to the District. The fee paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fee is contingent upon the sale and delivery of the Bonds. Rathmann & Associates, L.P. is an independent municipal advisor registered with the United States Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"). Rathmann & Associates, L.P.'s SEC registration number is 867-00217 and its MSRB registration number is K0161. Rathmann & Associates, L.P.'s SEC registration Forms MA and MA-1's, which constitute Rathmann & Associates, L.P.'s registration filings, may be accessed through <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

Attorney - The District has engaged Coats Rose, P.C., Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid to Bond Counsel in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

DEVELOPMENT OF THE DISTRICT

The development of approximately 440.96 of the approximately 552.14 acres of land in the District has been completed. As of December 1, 2021, the District contained 1,495 homes, including 24 homes under construction, 50 lots currently under development, and 34 vacant fully developed single-family residential lots that are available for home construction. See "BUILDERS." Taxable commercial improvements which have been completed on unrestricted reserves located in the District consist of a gasoline service station and convenience store, a Kwik Kar Lube, a Wells Fargo Bank, a shopping center, a Quick Cleaners, a McDonald's restaurant, a 450-unit storage facility and a 156-pod luxury recreational vehicle storage facility. According to the District's Engineer, the development of (i) 1,529 single-family residential lots (approximately 399.56 acres) plus (ii) certain unrestricted reserves (approximately 41.40 acres) used and expected to be used for commercial and/or multi-family residential purposes has been completed on approximately 440.96 of the District's approximately 552.14 acres as is described below. Approximately 109.72 of such acres have been developed as the Rolling Creek, Section 1 subdivision which contains 496 fully developed single-family residential lots. On November 15, 1996, Bene Vista Venture (see "DEVELOPERS" below), acquired Rolling Creek, Section 1 plus approximately 346.29 undeveloped acres located within the District. Bene Vista Venture has developed 633 single-family residential lots contained within the Rolling Creek, Section 1 Replat and Grand Oaks, Sections 1 through 4, 10 and 11 (approximately 177.64 acres). Bene Vista owns approximately 9.25 acres of currently undeveloped land located within the District, all of which are expected to be developed for future commercial purposes, although no specific plan for development of such acres has been reported to the District.

Bene Vista sold approximately 49.81 acres located within the District to BGM Land Investments, Ltd. (“BGM”) and approximately 53.85 acres located within the District to a related party, Woodmere Development Co., Ltd. (“Woodmere”). Woodmere has developed 321 single-family residential lots located in the subdivisions that have been platted as Grand Oaks, Sections 5 through 9, 12 and 14 (a total of approximately 80.79 acres), and is currently developing Grand Oaks, Section 13 (50 lots on approximately 10.70 acres) in the District as is delineated in the chart that appears below. The development of Grand Oaks, Section 13 is expected by approximately the end of December 2021. Long Lake, Ltd. (“Long Lake”), doing business as Lakewood Homes and Briarwood Homes, has constructed and is constructing homes on lots purchased from Woodmere in Grand Oaks as is described below under the caption “BUILDERS.” BGM owns approximately 45.59 acres of currently undeveloped land located within the District, all of which are expected to be developed into future single-family residential lots. It is currently expected that Woodmere will purchase land from BGM on an as-needed basis with the intention of developing such land into single-family residential lots as development of the District progresses, although Woodmere has no obligation to the District to do so.

Approximately 31.41 District acres have been developed by a former developer as Amesbury Park, Section 1, which contains 79 fully developed single-family residential lots, on all of which lots homes have been constructed and sold to home purchasers. Approximately 41.4 acres described above have been developed as unrestricted reserves and are expected to be used for commercial and/or multi-family residential purposes for which perimeter trunk water distribution, wastewater collection and storm drainage facilities and street paving have been completed.

There are approximately 60.64 acres of land located within the District available for future development which are currently undeveloped. Approximately 9.25 of such undeveloped acres are owned by Bene Vista and approximately 5.8 of such undeveloped acres are owned by Prima Terra LLC, neither of which has reported any definitive development plan for any of such acreage to the District. Approximately 45.59 of such undeveloped acres are owned by BGM, all of which is expected to be developed as future single-family residential lots. Since no party, including Bene Vista, Prima Terra LLC, BGM or Woodmere, has any obligation to the District to develop any of such currently undeveloped acres according to any development plan, schedule or at all, the District cannot represent when, or whether, any of such currently undeveloped acres might be developed. The balance of the land located within the District is contained within District facilities sites, major thoroughfare rights of way, drainage easements, is dedicated for park or recreational usage, or is otherwise not available for development. See “FUTURE DEVELOPMENT,” “THE SYSTEM,” and “INVESTMENT CONSIDERATIONS.”

In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with portions of the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District expects to finance the acquisition or construction of additional components of the System, and other items, with portions of the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.”

As of December 1, 2021, the status of residential development and home construction in the District was as follows:

Residential Units:

Subdivision	LOTS				HOMES				Models	Totals
	Fully Developed	Acres	Under Development	Acres	Under Construction Sold*	Unsold	Completed Sold*	Unsold		
Rolling Creek										
Section 1	496	109.72			0	0	496	0	0	496
Section 1 Replat	18	7.93			0	0	18	0	0	18
Amesbury Park	79	31.41			0	0	79	0	0	79
Grand Oaks										
Section 1	128	41.20			0	0	128	0	0	128
Section 2	60	19.54			0	0	57	0	0	57
Section 3	196	47.53			0	0	196	0	0	196
Section 4	115	30.62			0	0	115	0	0	115
Section 5	50	11.19			0	0	50	0	0	50
Section 6	56	16.98			0	0	56	0	0	56
Section 7	53	13.70			1	1	51	0	0	53
Section 8	66	14.37			0	0	66	0	0	66
Section 9	28	7.34			4	3	18	1	0	26
Section 10	63	18.39			0	0	58	0	1	59
Section 11	53	12.43			0	0	53	0	0	53
Section 12	20	5.50			0	1	18	1	0	20
Section 13			50	10.70	0	0	0	0	0	0
Section 14	48	11.71			10	4	9	0	0	23
TOTALS	1,529	399.56	50	10.70	15	9	1,468	2	1	1,495

* Includes homes sold and contracted for sale. Homes under contract for sale are, in some instances, subject to conditions of appraisal, loan application, approval, and inspection. See "BUILDERS."

DEVELOPERS

General

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be emplaced in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, 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, developers, or other third parties. In some instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ, although the District requested exemptions from such developer participation requirement with respect to the facilities financed with the proceeds of the Prior Bonds and the Bonds on the basis of qualification for such exemption under the rules of the TCEQ, and the TCEQ granted such exemption in its Orders authorizing the sale of the Prior Bonds and the Bonds. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a district. See "FUTURE DEVELOPMENT" below.

Description of the Developers

Bene Vista Venture, a California limited partnership (“Bene Vista”) has developed the 633 single-family residential lots located in Rolling Creek, Section 1 Replat and Grand Oaks, Sections 1 through 4, 10 and 11 (approximately 177.64 acres). Bene Vista sold approximately 49.81 undeveloped acres located within the District to BGM (as defined below) and 53.85 undeveloped acres located within the District to Woodmere (as defined below). Bene Vista owns approximately 9.25 acres of currently undeveloped land located in the District.

Woodmere Development Co., Ltd., a Texas limited partnership (“Woodmere”) has developed the 321 single-family residential lots located in Grand Oaks, Sections 5 through 9, 12 and 14 (approximately 80.79 acres) and is currently developing Grand Oaks, Section 13 (50 lots on approximately 10.70 acres) in the District, with completion expected by approximately the end of December 2021. The general partner of Woodmere is Woodmere GP, L.L.C., a Texas limited liability company. BGM Land Investments, Ltd. (“BGM”), a Texas limited partnership, the general partner of which is G.P. Landvest L.L.C., a party that is related to Woodmere, owns approximately 45.59 acres of currently undeveloped land located within the District, all which are expected to be developed as future single-family residential lots. It is currently expected that Woodmere will purchase land from BGM on an as-needed basis with the intention of developing such land into single-family residential lots as development of the District progresses, although Woodmere has no obligation to the District to do so. After developing the land, Woodmere sells the developed lots on an as-needed basis to a related party, Long Lake, Ltd. (“Long Lake”), a Texas limited partnership that is doing business in the District as Lakewood Homes and Briarwood Homes, which has constructed and is constructing homes within the District as is described in the chart that appears in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT - Residential Units” and under the caption “BUILDERS.” Woodmere, BGM and Long Lake are all under common management and common ownership and, through one or more of such entities, have been in the land development business since 1997.

Bene Vista and Woodmere are collectively referred to herein as the “Developers.”

BUILDERS

Lakewood Homes and Briarwood Homes are currently building homes in Grand Oaks. Such home building companies are referred to herein as the “Builders.”

Homes which are currently being constructed in Grand Oaks located within the District by Lakewood Homes and Briarwood Homes range in size from approximately 2,046 square feet to 4,035 square feet of living area and sales price from approximately \$338,990 to \$460,990.

FUTURE DEVELOPMENT

The development of approximately 440.96 of the approximately 552.14 acres of land located in the District has been completed within the District as is described above under the caption “DEVELOPMENT OF THE DISTRICT.” There are approximately 64.05 acres of land located within the District available for future development which are currently undeveloped. Approximately 9.25 of such undeveloped acres are owned by Bene Vista and approximately 5.8 of such undeveloped acres are owned by Prima Terra LLC, neither of which has reported any definitive development plan for any of such acreage to the District. Approximately 45.59 of such undeveloped acres are owned by BGM, all of which is expected to be developed as future single-family residential lots. Since no party, including Bene Vista, Prima Terra LLC or BGM, has any obligation to the District to develop any of such currently undeveloped acres according to any development plan, schedule or at all, the District cannot represent when, or whether, any of such currently undeveloped acres might be developed.

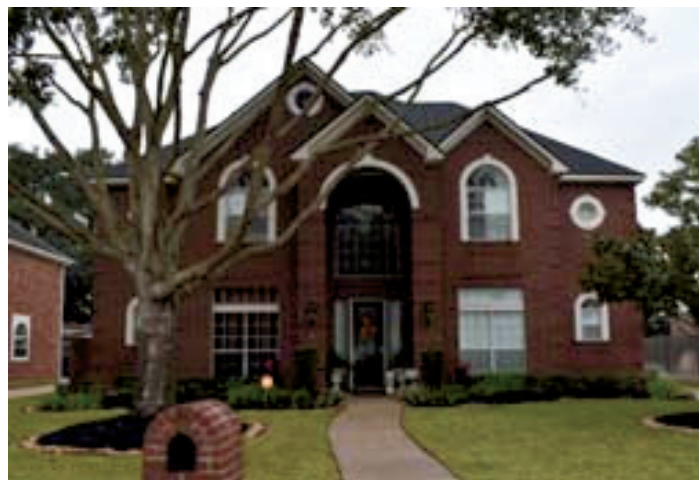
Although the aforementioned undeveloped acres may be developed in the future, the initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party’s ability to develop and sell lots and/or other property and of any home builder to sell completed homes described in this Official Statement under the caption “INVESTMENT CONSIDERATIONS.” If the undeveloped portion of the District is eventually developed, additions to the District’s water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues (if any) of the District’s bonds and developer contributions, if any, as required by the TCEQ. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the proceeds

of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds” and “THE SYSTEM”), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other items, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “INVESTMENT CONSIDERATIONS - Future Debt” and “THE SYSTEM.” The District’s Engineer estimates that the \$32,203,841.60 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. See “THE BONDS - Issuance of Additional Debt,” “THE SYSTEM - Description,” and “INVESTMENT CONSIDERATIONS - Future Debt.” No party is under any obligation to initiate development of any of the currently undeveloped land located within the District or to complete any development, if begun, and any party initiating any future development thereon could modify or discontinue development plans, or may sell any of such land at its sole discretion at any time. Accordingly, the District makes no representation that future development will occur. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken November 2021)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken November 2021)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken November 2021)



DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements of the Outstanding Bonds and the principal and interest requirements of the Bonds.

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest	
2022	1,418,669		\$27,229	\$1,445,897
2023	1,445,082	\$130,000	48,288	1,623,369
2024	1,439,782	140,000	45,688	1,625,469
2025	1,438,482	145,000	42,888	1,626,369
2026	1,432,582	160,000	39,988	1,632,569
2027	1,461,382	140,000	36,788	1,638,169
2028	1,463,682	140,000	33,988	1,637,669
2029	1,460,382	150,000	32,588	1,642,969
2030	1,466,282	150,000	30,713	1,646,994
2031	1,456,469	165,000*	28,463	1,649,931
2032	1,476,857	150,000*	25,163	1,652,019
2033	1,474,344	160,000*	22,163	1,656,506
2034	1,484,169	155,000*	18,963	1,658,131
2035	1,496,813	150,000*	15,863	1,662,675
2036	1,501,688	150,000*	12,675	1,664,363
2037	1,504,988	150,000*	9,488	1,664,475
2038	1,511,338	150,000*	6,300	1,667,638
2039	1,539,544	130,000*	2,925	1,672,469
	\$26,472,535	\$2,515,000	\$480,161	\$29,467,681

Average Annual Requirements: (2023-2039)	\$1,648,340
Maximum Annual Requirement: (2039)	\$1,672,469

* Represents mandatory sinking fund payments on Term Bonds.

Bonded Indebtedness

2021 Assessed Valuation.....	\$	390,996,815 (a)
(As of January 1, 2021)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds.....	\$	19,920,000
The Bonds		<u>2,515,000</u>
Total	\$	22,435,000 (b)
Estimated Overlapping Debt	\$	<u>22,921,112</u>
Total Direct and Estimated Overlapping Debt	\$	<u>45,356,112</u>
Ratio of Direct Debt		
: as a percentage of 2021 Assessed Valuation.....		5.74 %
Ratio of Direct and Estimated Overlapping Debt		
: as a percentage of 2021 Assessed Valuation.....		11.60 %
Debt Service Fund Balance as of December 1, 2021	\$	2,345,124 (c)
General Fund Balance as of December 1, 2021	\$	3,667,336
2021 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax.....	\$0.39	
Maintenance Tax	<u>0.25</u>	
Total	\$	0.64 (d)
Average Percentage of Total Tax Collections (2011-2020) as of November 30, 2021		99.78 %
Percentage of Tax Collections (2021) as of November 30, 2021		
(In process of collection.).....		5.23 %

(a) As of January 1, 2021, and comprises the District's 2021 tax roll. Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$691,327, which total is included in the amount of \$390,996,815. The Appraisal District has proposed the valuation of such protested properties to be \$751,710. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,565,760, which total is also included in the amount of \$390,996,815. The District is unable to predict the amount of the District's final 2021 Assessed Valuation. Such final 2021 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2021.

(b) See "DISTRICT DEBT." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."

- (c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Debt Service Fund. Such sum gives effect to the timely payment by the District of the debt service requirements on the Outstanding Bonds that were due in 2021. The District's initial debt service requirement on the Bonds, consisting of an interest payment thereon, is due September 1, 2022.
- (d) The District levied a debt service tax rate of \$0.39 per \$100 of Assessed Valuation and a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2021. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2021 tax levies of all units of government which levy taxes against the property located within the District, including the District's total tax rate of \$0.64 per \$100 of Assessed Valuation, is \$2.730968 per \$100 of Assessed Valuation as to the portion of the District (approximately 474 acres) that lies within the Cypress-Fairbanks Independent School District, and \$2.662040 per \$100 of Assessed Valuation as to the approximately 77 acres (including Amesbury Park) that lies within the Katy Independent School District. Such aggregate levies are higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although they are within the range of the tax rates being levied by municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected. See "TAX DATA" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

The following statement indicates the direct and estimated overlapping debt of the District. The table includes the estimated amount of indebtedness of governmental entities overlapping the District, defined as outstanding bonds payable from ad valorem taxes, and the estimated percentages and amounts of such indebtedness attributable to property located within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The calculations by which the statement was derived were made in part by comparing the reported assessed valuation of the property in the overlapping taxing jurisdictions with the Assessed Valuation of property within the District. No effect has been given to the tax burden levied by any applicable taxing jurisdiction for maintenance and operational or other purposes.

<u>Taxing Jurisdiction</u>	<u>Debt as of December 1, 2021</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County ^(a)	\$1,584,697,125	0.0750%	\$1,188,578
Harris County Department of Education	\$20,185,000	0.0750%	\$15,139
Harris County Flood Control District	\$584,900,000	0.0750%	\$438,695
Harris County Hospital District	\$81,540,000	0.0750%	\$61,158
Port of Houston Authority	\$469,434,397	0.0750%	\$352,092
Cypress-Fairbanks Independent School District ^(b)	\$3,222,395,000	0.5537%	\$17,841,113
Lone Star College System	\$610,225,000	0.1428%	\$871,488
Katy Independent School District ^(b)	\$1,974,820,230	0.1090%	<u>\$2,152,849</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$22,921,112
TOTAL DIRECT DEBT ^(c)			<u>22,435,000</u>
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT			\$45,356,112
Ratio of Total Direct and Estimated Overlapping Debt to:			
	<u>% of 2021 Assessed Valuation</u>		
Direct Debt.....	5.74%		
Direct and Overlapping Debt	11.60%		

(a) Harris County Toll Road Bonds are considered to be self-supporting and are not included in this schedule.

(b) Approximately 474 District acres are located within the Cypress-Fairbanks Independent School District, and approximately 77 District acres, including Amesbury Park, are located within the Katy Independent School District.

(c) See "Bonded Indebtedness" above.

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above also are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes in an amount not to exceed \$0.25 per \$100 of Assessed Valuation, and such taxes have been authorized by the duly qualified voters of the District. The District has levied a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2021. See "TAX DATA - Maintenance Tax" and - "Tax Rate Distribution."

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation at January 1 of that year. The Board covenants in the Bond Resolution to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District has levied a debt service tax of \$0.39 per \$100 of Assessed Valuation for 2021.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District voters have authorized the levy of such a maintenance tax in an amount not to exceed \$0.25 per \$100 of Assessed Valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any tax supported bonds which may be issued in the future. The District has levied a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2021. See "Tax Rate Distribution" below.

Tax Rate Distribution

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$0.39	\$0.43	\$0.45	\$0.45	\$0.45
Maintenance & Operations	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>	<u>0.25</u>
Total	\$0.64	\$0.68	\$0.70	\$0.70	\$0.70

Analysis of Tax Base

The following table illustrates the composition of property located within the District for the past five years.

	<u>2021</u>		<u>2020</u>		<u>2019</u>	
<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$89,894,773	22.99%	\$71,020,490	20.87%	\$61,661,154	20.06%
Improvements	310,165,278	79.33%	278,743,947	81.92%	255,727,305	83.18%
Personal Property	4,655,990	1.19%	5,459,880	1.60%	4,236,943	1.38%
Uncertified	2,257,087	0.58%	0	0.00%	0	0.00%
Exemptions	<u>(15,976,313)</u>	<u>-4.09%</u>	<u>(14,945,386)</u>	<u>-4.39%</u>	<u>(14,180,000)</u>	<u>-4.61%</u>
TOTAL	\$390,996,815	100.00%	\$340,278,931	100.00%	\$307,445,402	100.00%

	<u>2018</u>		<u>2017</u>	
<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$60,210,126	21.56%	\$56,475,637	21.57%
Improvements	225,375,796	80.71%	212,101,477	80.99%
Personal Property	4,555,308	1.63%	4,613,437	1.76%
Exemptions	<u>(10,885,240)</u>	<u>-3.90%</u>	<u>(11,320,187)</u>	<u>-4.32%</u>
TOTAL	\$279,255,990	100.00%	\$261,870,364	100.00%

Historical Values and Tax Collection History

The following statement of tax collections sets forth, in condensed form, the historical Assessed Valuation and tax collections of the District. Such summary has been prepared for inclusion herein based upon information obtained from District records. Reference is made to such records, including the District's annual audited financial statements, for more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate^(a)</u>	<u>Adjusted Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years^(b)</u>	<u>Year Ended 09/30</u>
2010	\$121,360,129	\$0.98	\$1,188,869	100.00%	2011
2011	126,474,492	0.97	1,226,321	100.00	2012
2012	132,703,633	0.97	1,286,623	100.00	2013
2013	145,336,893	0.96	1,394,683	100.00	2014
2014	180,872,537	0.88	1,590,506	99.95	2015
2015	211,733,784	0.85	1,798,362	99.72	2016
2016	235,560,838	0.78	1,835,291	99.79	2017
2017	261,870,364	0.70	1,833,093	99.61	2018
2018	279,255,990	0.70	1,954,793	99.67	2019
2019	307,445,402	0.70	2,152,118	99.66	2020
2020	340,278,931	0.68	2,313,897	99.42	2021
2021	390,996,815 ^(c)	0.64	2,502,380	5.23 ^(d)	2022

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through November 30, 2021. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective levy) is not reflected in this statement.

(c) Such sum includes certain values which have not been certified by the Appraisal Review Board, including the value of certain properties which has been proposed by the Appraisal District but protested by the owners thereof to the Appraisal District and the value of certain properties not under protest but not yet certified. The Appraisal District's "Estimated Final Taxable Value with Hearing Loss" of such properties is \$691,327, which total is included in the amount of \$390,996,815. The Appraisal District has proposed the valuation of such protested properties to be \$751,710. The Appraisal District's estimate of the total taxable value of taxable property not under protest and not yet included on the certified appraisal roll is \$1,565,760, which total is also included in the amount of \$390,996,815. The District is unable to predict the amount of the District's final 2021 Assessed Valuation. Such final 2021 Assessed Valuation will not be determined until the valuation of all taxable property located within the District is certified by the Appraisal Review Board for 2021.

(d) As of November 30, 2021. In process of collection.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2021 Assessed Valuation. The calculations also assume collection of 95% of taxes levied, no use of other legally available District funds on hand, and the sale of no additional bonds by the District. As outlined above under the caption "Historical Values and Tax Collection History," the District has, as of November 30, 2021, collected an average annual percentage of its property taxes of 99.78% for the period 2011 through 2020.

Average Annual Debt Service Requirements (2023-2039).....	\$1,648,340
Tax Rate of \$0.45 on the 2021 Assessed Valuation (\$390,996,815) produces.....	\$1,671,511
Maximum Annual Debt Service Requirement (2039)	\$1,672,469
Tax Rate of \$0.46 on the 2021 Assessed Valuation (\$390,996,815) produces.....	\$1,708,656

The District has levied a debt service tax rate of \$0.39 per \$100 of Assessed Valuation and a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2021. As the above table indicates, the 2021 debt service tax rate will not be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds assuming taxable values in the District at the level of the 2021 Assessed Valuation, assuming collection of 95% of taxes levied, the use of no other legally available District funds on hand, and the issuance of no additional bonds by the District. However, as is illustrated in this Official Statement under the caption “TAX DATA - Historical Values Tax Collection History,” the District has collected an average of 99.78% of its 2011 through 2020 tax levies as of November 30, 2021. Moreover, the District’s Debt Service Fund balance was \$2,345,124 as of December 1, 2021. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - ANNUAL AUDIT REPORT”). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2021 - \$0.39 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Principal 2021 Property Owners

Based upon information supplied by the District’s Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the assessed valuation of such property as of January 1, 2021. The information reflects the composition of property ownership reflected on the District’s 2021 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2021 Tax Roll</u>	<u>% of 2021 Tax Roll</u>
QVR Westlake LLC	Land and Improvements	\$7,689,375	1.97%
Sun Capital Real Estate Investments LLC	Land and Improvements	3,840,127	0.98%
BGM Land Investments, Ltd.*	Land	3,359,739	0.86%
Mitchell Carroll Prop. LLC	Land and Improvements	2,897,206	0.74%
Bene Vista Venture	Land	2,705,310	0.69%
Prima Terra LLC	Land	2,597,372	0.66%
Long Lake, Ltd.*	Land and Improvements	2,174,214	0.56%
Woodmere Development Co., Ltd.*	Land and Improvements	1,894,052	0.48%
Chetanarchana LLC	Land and Improvements	1,380,858	0.35%
Centerpoint Energy	Personal Property	<u>1,165,320</u>	<u>0.30%</u>
		\$29,703,573	7.59%

* Related parties. See “DEVELOPERS - Description of the Developers.”

Estimated Overlapping Taxes

Property located within the District is subject to taxation by several taxing authorities in addition to the District. Set forth below is a compilation of all 2021 taxes levied upon property located within the District. Under Texas law, ad valorem taxes levied by each taxing authority other than the District entitled to levy taxes against property located within the District create a lien which is on a parity with the tax lien of the District. In addition to the ad valorem taxes required to make the debt service payments on bonded debt of the District and of such other jurisdictions (see “DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Approximately 474 District acres are located within the Cypress-Fairbanks Independent School District, and approximately 77 District acres, including Amesbury Park, are located within the Katy Independent School District.

Property Located Within Cypress-Fairbanks Independent School District

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate Per \$100 of A.V.</u>
The District ⁽ⁱ⁾	\$0.640000
Harris County	0.376930
Harris County Department of Education	0.004990
Harris County Flood Control District	0.033490
Harris County Hospital District	0.162210
Port of Houston Authority	0.008720
Cypress Fairbanks Independent School District	1.339200
Lone Star College System	0.107800
Harris County Emergency Services District No. 9	<u>0.057628</u>
Total Tax Rate	\$2.730968

Property Located Within Katy Independent School District

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate Per \$100 of A.V.</u>
The District ⁽ⁱ⁾	\$0.640000
Harris County	0.376930
Harris County Department of Education	0.004990
Harris County Flood Control District	0.033490
Harris County Hospital District	0.162210
Port of Houston Authority	0.008720
Katy Independent School District	1.351700
Harris County Emergency Services District No. 47	<u>0.084000</u>
Total Tax Rate	\$2.662040

⁽ⁱ⁾ The District has levied a debt service tax rate of \$0.39 per \$100 of Assessed Valuation and a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2021.

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, against all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Prior Bonds and any additional bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in an amount not to exceed \$0.25 per \$100 of Assessed Valuation. See "TAX DATA - Maintenance Tax."

Exempt Property

Except for certain exemptions provided by Texas law, all real property and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Harris County Appraisal District (the "Appraisal District") described below to assess taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; nonprofit cemeteries; and certain property owned by qualified charitable, religious, veterans, fraternal, or educational organizations. Partially exempt to the maximum extent of between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty. Totally exempt is property owned by a veteran who receives a disability rating of 100%. 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, (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 partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the number of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old to the extent of \$10,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor 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. The District has adopted a residential homestead exemption for persons 65 years or older or disabled persons for 2021 in an amount of \$10,000 of assessed valuation.

The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged. To date the Board has not voted to exempt any percentage of the market value of residential homesteads from ad valorem taxation, but no representation may be made that the Board will not determine to grant such exemption in the future.

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. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit 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 for the tax year 2012 and subsequent years.

Harris County may designate all or part of the area within the District as a reinvestment zone, and the District or Harris County may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, and by the District, for a period of up to 15 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by other taxing jurisdictions.

County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) establishes an appraisal district and an appraisal review board in each county of the State of Texas. The appraisal district is governed by a board of directors elected by the governing bodies of cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district and of the county. The District is entitled to vote upon and participate in the selection of members of the board of directors of the Appraisal District. The board of directors selects a chief appraiser to manage the appraisal office of the appraisal district. All taxing units within Harris County, including the District, are included in the Appraisal District. The Appraisal District is responsible for appraising property within the District, subject to review by the Harris County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

Under current Texas law, the District is responsible for the levy and collection of its taxes and will continue to be so responsible unless the Board of Directors of the District, or the qualified voters of the District or of Harris County at an election held for such purpose, determines to transfer such functions to the Appraisal District or another taxing unit.

Assessment and Levy

Generally, all taxable property in the District (other than any qualifying agricultural and timberland) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income, are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner’s business. See “TAX DATA - Principal 2020 Property Owners.” The Property Tax Code requires each appraisal district to implement a plan providing for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code permits land designated for agricultural use or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use 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 claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including for three years for agricultural use and for five years for open space and timberland, prior to the loss of the designation.

The chief appraiser must give written notice on May 15, or as soon thereafter as practicable, to each owner if the appraised value of his property is greater than it was in the preceding year, if the appraised value of the property is greater than the value rendered by the property owner, or if the property was not on the appraisal roll in the preceding year. In addition, the chief appraiser must give written notice to each property owner whose property was reappraised in the current year or if ownership of the property changed during the preceding year. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board by filing suit in Texas district court. Prior to such appeal and prior to the delinquency date, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property. After the District receives the certified appraisal roll, the rate of taxation is set by the Board based upon the assessed valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations.

Reappraisal of Property after Disaster

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are prorated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in Texas state district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the property value in question may be determined by the court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code 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.

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. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described 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 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 will be made on an annual basis, at the time a district sets its tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation. For the 2021 tax year, a determination was made that the District is classified as a Developing District.

Collection

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person who is (i) 65 years of age or older; (ii) disabled or (iii) qualifies as a disabled veteran under Texas law is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferral or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. The date of the delinquency may be postponed if the tax bills are mailed after September 30 (if the Board has authorized discounts for early payment) or otherwise after January 10. So long as the Board has not transferred responsibility for collection of the taxes to another taxing unit or the Appraisal District, the Board may permit payment without penalty or interest of the final tax installment by July 1, if one-half of taxes assessed for the current year are paid prior to December 1. The Board may approve a 3% discount for taxes paid in October, 2% for November and 1% for December. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to July 1 and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, the Board may impose a further penalty on all taxes, penalties, and interest unpaid on July 1 which is used to defray the cost of engaging an attorney for collection of delinquent taxes.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on 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 taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other jurisdictions levying taxes on property within the District. 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. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its 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 also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's redemption rights (a taxpayer may redeem property within two (2) years for residence homesteads or land designated for agricultural use and within six (6) months for all other types of real property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes 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. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court. See "INVESTMENT CONSIDERATIONS - Principal Land Owners' Obligations to the District."

Tax Payment Installments after Disaster

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

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

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities serving land within the District (the “System”) have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the City of Houston, Harris County, the Harris County Flood Control District, and the TCEQ.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. According to the District’s Engineer, the total number of equivalent single-family connections (“ESFCs”) projected for the District at the full development of its approximate 552.14 acres is approximately 1,784 with a total estimated population of 6,244 people. A description of portions of the System follows and is based upon information supplied by the District’s Engineer.

Description

Proceeds of the sale of the Prior Bonds were used to finance the construction or acquisition of underground water supply and distribution, wastewater collection and treatment, and storm drainage facilities to serve the 496 fully developed single-family residential lots in Rolling Creek, Section 1, the 18 fully developed single-family residential lots contained within the Rolling Creek, Section 1 Replat, the 128 fully developed single-family residential lots located in Grand Oaks, Section 1, the 60 fully developed single-family residential lots located in Grand Oaks, Section 2, the 196 fully-developed single-family residential lots located in Grand Oaks, Section 3, the 115 fully-developed single-family residential lots located in Grand Oaks, Section 4, the 50 fully developed single-family residential lots located in Grand Oaks, Section 5, the 56 fully developed single-family residential lots located in Grand Oaks, Section 6, the 53 fully developed single-family residential lots located in Grand Oaks, Section 7, the 66 fully developed single-family residential lots located in Grand Oaks, Section 8, the 63 fully developed single-family residential lots located in Grand Oaks, Section 10, the 53 fully developed single-family residential lots located in Grand Oaks, Section 11, the 79 fully-developed single-family residential lots located in Amesbury Park, Section 1, plus certain other facilities described below. The District will finance the District’s cost of acquisition or construction of water, wastewater and drainage facilities to serve Grand Oaks, Sections 9, 12, 13 and 14, plus certain other facilities with a portion of the proceeds of the sale of the Bonds. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds”), the District anticipates financing its cost of acquiring or constructing additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

- Storm Drainage -

Storm water drainage for the District is accomplished by channel improvements and a storm sewer system financed with proceeds of the sale of the Prior Bonds. See “100-Year Flood Plain” below.

- Water Supply -

Portions of the proceeds of the sale of the Prior Bonds were used to finance the construction of Water Plant No. 1, Phase One, which consisted of a 1,000-foot deep, 1,200 gallons-per-minute well, a 429,000 gallon ground storage tank, a 20,000 gallon hydropneumatic tank, a total of 1,600 gallons-per-minute of booster pump capacity, a control building and related appurtenances.

In a letter dated November 20, 1997, the TCEQ issued a Notice of Violation to the District as a result of the composite sample test that showed levels of 27.1 pCi/l for Gross Alpha and 7.59 pCi/l for Combined Radium. After being informed of the initial levels, the District's Board of Directors directed the District's Engineer and Operator to investigate the problem and recommend solutions. It was concluded that the most effective solution was to construct a second well, on the same site, utilizing only the water-bearing sands down to 500 feet. A new 400 gallons-per-minute well was constructed and water quality tests proved the new well to be in compliance. In addition, the District receives surface water from the West Harris County Regional Water Authority (the "Authority"). See "Subsidence and Conversion to Surface Water Supply" below.

Water from both wells is being blended with the surface water received from the Authority to ensure compliance with the aforementioned standards. According to samples taken during the first calendar quarter of 2010, levels of Gross Alpha and Combined Radium are less than 2.0 pCi/l (or non-detected) and less than 1.0 pCi/l (or non-detected), respectively. Water Well No. 1 is restricted to 400 gpm, resulting in a pumping capacity of the combined wells of 800 gpm, which provides sufficient well capacity for 1,333 ESFCs.

A portion of the proceeds of the sale of the Series 2002 Bonds was used to finance the District's costs associated with the construction of the aforementioned second water well and the new Water Plant No. 2, including a third water well. Such facilities consist of a 1,000 gallons-per-minute water well, a 430,000 gallon ground storage tank, a 20,000 gallon hydropneumatic tank, and a total of 2,210 gallons-per-minute of booster pump capacity. According to the District's Engineer, the District's water supply facilities contain sufficient capacity to provide service to approximately 1,888 ESFCs.

The District has a water interconnection line with the adjacent Clay Road Municipal Utility District which connects the water supply and distribution systems of the two districts. The interconnection line is normally closed, and is opened in the event of an emergency.

- Wastewater Treatment -

Wastewater treatment is provided to the District currently by an interim wastewater treatment plant with a permitted capacity of 600,000 gallons per day ("gpd") which the District financed with portions of the proceeds of the sale of the Prior Bonds. According to the District's Engineer, the capacity contained in the wastewater treatment facility is sufficient to serve 2,000 ESFCs. Design of a permanent wastewater treatment plant will need to be planned within 2 years with construction of such plant occurring within 4 years.

- 100-Year Flood Plain -

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100 year flood plain, is depicted on these maps. The "100 year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100 year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100 year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100 year flood plain have flooded multiple times in the last several years. See "INVESTMENT CONSIDERATIONS - Extreme Weather Events."

None of the property improved with proceeds of the sale of the Prior Bonds is designated as being located within the 100-year flood plain by the applicable Federal Emergency Management Agency Flood Insurance Rate Map Panel (FIRM) 48201C0605L revised June 18, 2007.

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 District may be redrawn based on the Atlas 14 study which is based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying

to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Subsidence and Conversion to Surface Water Supply

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 is subject to an annual permit issued by the Subsidence District. The Subsidence District has adopted regulations requiring reduction of groundwater withdrawals through conversion to alternate source water (e.g., surface water) in areas within the Subsidence District’s jurisdiction. In 2001, the Texas legislature created the West Harris County Regional Water Authority (the “Authority”) to, among other things, reduce groundwater usage in, and to provide surface water to, the western portion of Harris County (including the District) and a small portion of Fort Bend County. The Authority has entered into a Water Supply Contract with the City of Houston, Texas (“Houston”) to obtain treated surface water from Houston. The Authority has developed a groundwater reduction plan (“GRP”) and obtained Subsidence District approval of its GRP. The Authority’s GRP sets forth the Authority’s plan to comply with Subsidence District regulations, construct surface water facilities, and convert users from groundwater to alternate source water (e.g., surface water). The District is included within the Authority’s GRP.

The Authority has the power to issue debt supported by the revenues pledged for the payment of its obligations and may establish fees, user fees, rates, charges and special assessments as necessary to accomplish its purposes. The Authority currently charges the District, and other major groundwater users, a fee of \$3.45 per 1,000 gallons of groundwater pumped. It is anticipated that said fee will increase in the future. The District is currently receiving surface water from the Authority at a rate of \$3.85 per 1,000 gallons. The Authority has to date issued revenue bonds to fund, among other things, Authority surface water project costs. It is expected that the Authority will issue substantially more bonds by the year 2030 to finance the Authority’s project costs.

Under the Subsidence District regulations and the GRP, the Authority is required to: (i) have limited groundwater withdrawals to no more than 70% of the total water demand within the Authority’s GRP beginning January 2013; (ii) limit groundwater withdrawals to no more than 40% of the total water demand within the Authority’s GRP beginning January 2025; and (iii) limit groundwater withdrawals to no more than 20% of the total water demand within the Authority’s GRP beginning January 2035. If the Authority fails to comply with the above Subsidence District regulations or its GRP, the Authority is subject to a \$9.58 per 1,000 gallons disincentive fee penalty (“Disincentive Fees”) imposed by the Subsidence District for any groundwater withdrawn in excess of 20% of the total water demand within the Authority’s GRP. In the event of such Authority failure to comply, the Subsidence District may also seek to collect Disincentive Fees from the District. If the District failed to comply with surface water conversion requirements mandated by the Authority, the Authority would likely seek monetary or other penalties against the District.

The District cannot predict the amount or level of fees and charges, which may be due the Authority in the future, but anticipates the need to pass such fees through to its customers: (i) through higher water rates and/or (ii) with portions of maintenance tax proceeds, if any. In addition, conversion to surface water could necessitate improvements to the System which could require the issuance of additional bonds by the District. No representation is made that the Authority: (i) will build the necessary facilities to meet the requirements of the Subsidence District for conversion to surface water, (ii) will comply with the Subsidence District’s surface water conversion requirements, or (iii) will comply with its GRP.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas; Harris County, Texas; the City of Houston, Texas; or any political subdivision other than the District, are secured by an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS - Source of Payment.” The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable

property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The land located within the District has been developed primarily for single-family residential and commercial purposes. A substantial percentage of the assessed valuation of the property located within the District is attributable to the current market value of (i) single-family residences that have been constructed within the District, (ii) the single-family residential lots that have been developed by the developers of the District and of the developed lots which have been sold by such developers to homebuilders for the construction of primary residences, and (iii) commercial buildings that have been constructed within the District. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon and the construction of commercial buildings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy costs and availability and the prosperity and demographic characteristics of the urban area toward which the marketing of lots, homes and commercial enterprises is directed. Recent changes in federal tax law limiting deductions for ad valorem taxes may adversely affect the demand for housing and the prices thereof. Further fluctuations in the price of oil could adversely affect job stability, wages and salaries, thereby negatively affecting the demand for housing (see “Potential Effects of Oil Price Fluctuations on the Houston Area” below). Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected. Although development of the District has occurred as is described in this Official Statement under the caption “DEVELOPMENT OF THE DISTRICT” and “THE SYSTEM,” and homes are being constructed in the District as is described in this Official Statement under the caption “BUILDERS,” the District cannot predict the pace or magnitude of any future residential or home construction or the construction of any other taxable improvements than those that have been constructed therein to date.

National Economy: The housing and building industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, employment levels and general economic conditions. Although development in the District has occurred as is described in this Official Statement under the captions “DEVELOPMENT OF THE DISTRICT” and “THE SYSTEM,” and home construction has occurred in the District as is described under the caption “BUILDERS,” the District cannot predict the pace or magnitude of any future development or home construction in the District other than that which has been undertaken to date. The District cannot predict what impact, if any, a downturn in the local housing markets or in the national housing and financial markets may have on the Houston market generally and the District specifically. See “TAXING PROCEDURES.”

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on residential and commercial development activity and the construction of homes and commercial projects, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale and at which commercial developers are able to finance new commercial projects. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of homebuilders to initiate the construction of new homes for sale and of commercial developers to initiate the construction of commercial projects. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or the construction of new commercial projects within the District. In addition, since the District is located approximately 21 miles northwest of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and in real estate and financial markets in the United States could adversely affect development and homebuilding plans or the construction of future commercial buildings in the District and restrain the growth of the District’s property tax base.

Principal Land Owners' Obligations to the District

The ability of any principal land owner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. See "TAX DATA - Principal 2021 Property Owners." The District cannot predict the pace or magnitude of any future development or home construction or construction of any other taxable improvements in the District in addition to the development and improvements that have been undertaken therein to date. Woodmere (see "DEVELOPERS") is selling lots to the Builders as is described herein under the caption "BUILDERS," and the Builders are currently constructing homes on the Grand Oaks lots as is described under such caption. There is, however, no obligation on the part of the Builders to continue such home building programs. There are approximately 60.64 acres of land located within the District available for future development which are currently undeveloped. Approximately 9.25 of such undeveloped acres are owned by Bene Vista and approximately 5.8 of such undeveloped acres are owned by Prima Terra LLC, neither of which has reported any definitive development plan for any of such acreage to the District. Approximately 45.59 of such undeveloped acres are owned by BGM, all of which is expected to be developed as future single-family residential lots. It is currently expected that Woodmere will purchase land from BGM on an as-needed basis with the intention of developing such land into single-family residential lots as development of the District progresses, although Woodmere has no obligation to the District to do so. Since no party, including Bene Vista, Prima Terra LLC, BGM and Woodmere, has any obligation to the District to develop any of such currently undeveloped acres according to any development plan, schedule or at all, the District cannot represent when, or whether, any of such currently undeveloped acres might be developed. Therefore, the District cannot represent when, or whether, any of such acres available for future development might be further developed or have any above-ground improvements constructed on them. See "DEVELOPMENT OF THE DISTRICT," "FUTURE DEVELOPMENT," and "THE SYSTEM."

Maximum Impact on District Tax Rates

Assuming no further construction of homes and other taxable improvements within the District other than those which have heretofore been constructed, and no additional development in the District other than the development which has occurred to date, the value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District has levied a debt service tax rate of \$0.39 per \$100 of Assessed Valuation and a maintenance tax of \$0.25 per \$100 of Assessed Valuation for 2021. The 2021 Assessed Valuation of property within the District is \$390,996,815. Assuming no increase to or decrease from the 2021 Assessed Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of \$0.46 and \$0.45 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. Therefore, the 2021 debt service tax rate will not be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds assuming taxable values at the level of the 2021 Assessed Valuation. However, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values Tax Collection History," the District has collected an average of 99.78% of its 2011 through 2020 tax levies as of November 30, 2021. Moreover, the District's Debt Service Fund balance was \$2,345,124 as of December 1, 2021. Although neither Texas law nor the Bond Resolution requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL AUDIT REPORT"). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2021 - \$0.39 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX DATA - Tax Rate Calculations."

Increases in the District's tax rate to levels higher than the total rate of \$0.64 per \$100 of Assessed Valuation which the District has levied for 2021, consisting of debt service and maintenance tax components of \$0.39 and \$0.25 per \$100 of Assessed Valuation, respectively, may have an adverse impact upon future development within the District, the future construction of homes and other taxable improvements within the District, and the ability of the District to collect, and the

willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy processes. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2021 tax levies of all units of government which levy taxes against the property located within the District plus the District's 2021 tax rate is \$2.730968 per \$100 of Assessed Valuation as to that portion of the District (approximately 474 acres) that lies within the Cypress-Fairbanks Independent School District, and \$2.662040 per \$100 of Assessed Valuation as to the approximately 77 acres (including Amesbury Park) that lies within the Katy Independent School District. Such aggregate levies are higher than the aggregate of the tax levies of some municipal utility districts located within the Houston metropolitan area, although they are within the range of the tax rates being levied by municipal utility districts in the Houston metropolitan area which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

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 (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (iv) the taxpayer's right to redeem the property within two years of foreclosure. 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. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not 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. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgement for money damages. Even if Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies.

The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See “THE BONDS - Bankruptcy Limitation to Registered Owners’ Rights.”

The District may not be placed into bankruptcy involuntarily.

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 the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

Future Debt

The District has reserved in the Bond Resolution the right to issue the remaining \$32,203,841.60 bonds authorized but unissued for waterworks, wastewater and drainage facilities and for refunding purposes, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District also has reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolution. All of the remaining bonds authorized for waterworks, sanitary sewer and drainage facilities, and for refunding purposes, which have heretofore been authorized by voters of the District may be issued by the District from time to time as needed. The issuance of the aforementioned \$32,203,841.60 bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ approval. The District’s Engineer estimates that the \$32,203,841.60 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds and the Outstanding Bonds. The District anticipates financing its cost of acquiring or constructing additional components of the System with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See “THE BONDS - Issuance of Additional Debt” and “THE SYSTEM - Description.”

Competitive Nature of Houston Residential Housing Market

The single-family housing and commercial development and building industries in the Houston area are very competitive, and the District can give no assurance that additional development or the construction of new taxable commercial improvements or single-family homes, other than the development that has been previously undertaken within the District or the homes and other improvements which currently exist within the District, will be initiated or completed. The likelihood of additional development or of the construction of future residential or commercial improvements is affected by most of the factors discussed in this section, and such likelihood is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District. Although the Builders are currently constructing homes in the District, the District cannot represent that additional homes will be constructed. See “BUILDERS.”

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes. Failure of the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “LEGAL MATTERS - Tax Exemption.”

Approval of the Bonds

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “THE BONDS - Use and Distribution of Bond Proceeds.” In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

Environmental Regulations

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

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

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

Air Quality Issues

Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under 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 non-stormwater 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.

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.

In June and July of 2021, the EPA and USACE announced plans 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. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting "waters of the United States" consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. 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.

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

Extreme Weather Events

The greater Houston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

The greater Houston area, 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 and Engineer, the District’s System did not sustain any material damage from Hurricane Harvey and there was no interruption of water or sewer service. According to the District’s Operator approximately 12 homes within the District experienced structural flooding or other significant damage as a result of Hurricane Harvey. All of such homes have been repaired.

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.

Specific Flood Type Risks

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.

Infectious Disease Outbreak (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.

Potential Effects of Oil Price Fluctuations on the Houston Area

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

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, and all taxable property within the District is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount, based upon examination of a transcript of certified proceedings held incident to the issuance and authorization of the Bonds, and the approving legal opinion of Coats Rose, P.C., Houston, Texas, Bond Counsel for the District, to a like effect. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel's opinion also will address the matters described below under "Tax Exemption."

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Management of the District - Attorney," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions," " - No Arbitrage," " - Tax Exemption," " - Tax Accounting Treatment of Discount and Premium on Certain Bonds," and " - Qualified Tax-Exempt Obligations" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Order of the TCEQ approving the Bonds and to the requirements of the City of Houston with respect to the sale of the Bonds. 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.

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

No Arbitrage

The District will certify on the date the Bonds are delivered and paid for that based upon all facts and estimates now known or reasonably expected to be in existence, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be “arbitrage bonds” under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations prescribed from time to time thereunder. Furthermore, all officers, employees and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District have been authorized to certify to the facts, circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District will covenant in the Bond Resolution that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including without limitation, calculation of the yield on the Bonds, as may be required so that the Bonds will not become “arbitrage bonds” under the Code and the regulations prescribed from time to time thereunder.

No-Litigation Certificate

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been supplemented or amended, through the date of sale. The rating of the Insurer’s creditworthiness by any rating agency does not and will not in any manner affect the District’s financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District’s financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

Tax Exemption

Delivery of the Bonds is subject to an opinion of Coats Rose, P.C., Bond Counsel, to the effect that, as of the date of issuance of the Bonds, pursuant to section 103 of the Internal Revenue Code of 1986 (the “Code”), as amended, existing regulations, published rulings, and court decisions, interest on the Bonds (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes assuming continuing compliance by the District with the provisions of the Bond Resolution subsequent to the issuance of the Bonds, and (2) will not be included in the alternative minimum tax income of the owners thereof which are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Resolution subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "IRS"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law to the extent deemed relevant to render such opinions and the representations and covenants referenced above. The IRS has an ongoing audit program to determine whether interest on selected state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to the likelihood that the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures, the IRS is likely to treat the District as the taxpayer, and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, "S" corporations with "subchapter C" earnings and profits, owners of interests in FASIT and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry (or who have paid or incurred certain expenses all allocable to) tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

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

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

The initial public offering price of certain of the Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bond. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser may be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the state and local tax consequences of owning Premium Bonds.

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt obligations (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2022 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2022.

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

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District’s records, the Harris County Appraisal District, Woodmere and other sources believed to be reliable; however, no representation is made by the District as to the accuracy or completeness of the information contained herein, except as described below under “Certification of Official Statement.” The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District’s financial statements for the year ended July 31, 2021, were audited by Mark C. Eyring, CPA, PLLC, and have been included herein as “APPENDIX B.” Mark C. Eyring, CPA, PLLC, have agreed to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the section captioned “THE SYSTEM” has been provided by LJA Engineering, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of LJA Engineering, Inc. as an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning principal taxpayers, tax collection rates and valuations contained in the sections captioned “TAX DATA” and “DISTRICT DEBT” has been provided by the Harris County Appraisal District and Bob Leared Interests. The District has included certain information herein in reliance upon such firm’s authority as an expert in the field of tax assessing and real property appraisal.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the President or Vice President and Secretary or Assistant Secretary of the Board, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the information, descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data contained in this Official Statement, of or pertaining to entities other than the District and their activities are concerned, such statements and data have been obtained from sources which the District believes to be reliable and that the District has no reason to believe that they are untrue in any material respect or 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; however, the District has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District.

Updating of Official Statement

If, subsequent to the date of the Official Statement, to and including the date the Underwriter is no longer required to provide an Official Statement to customers who request same pursuant to Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), the District learns, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the “end of the underwriting period” as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB (hereinafter defined), but in no case less than 25 days after the “end of the underwriting period.”

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “SELECTED FINANCIAL INFORMATION” and “TAX DATA” and in “APPENDIX B” (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or 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 the District’s audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is July 31. Accordingly, it must provide updated information by the last day of January 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 specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination 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 events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide 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.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement 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, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

The District is in compliance with all continuing disclosure agreements made by it in connection with SEC Rule 15c2-12 in the last five years.

This Official Statement was approved by the Board of Directors of Rolling Creek Utility District as of the date shown on the first page hereof.

/s/ Kenneth B. Levenson
President, Board of Directors
Rolling Creek Utility District

ATTEST:

/s/ Gary Brown
Secretary/Treasurer, Board of Directors
Rolling Creek Utility District

**ROLLING CREEK
UTILITY DISTRICT
VICINITY MAP**

LJA Engineering & Surveying, Inc.
2000 Highway 100
Suite 100
Houston, Texas 77058-1000
Phone: (713) 462-1000
Fax: (713) 462-1001

VICINITY MAP

LJA Engineering & Surveying, Inc. 

2525 Inverness Drive
Suite 605
Houston, Texas 77027-7126

Phone: 281-252-1100
Fax: 281-252-1101

APPENDIX B

ROLLING CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

JULY 31, 2021

ROLLING CREEK UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

JULY 31, 2021

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	10
NOTES TO THE FINANCIAL STATEMENTS	11-20
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND	21
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	22
SCHEDULE OF SERVICES AND RATES	23-24
EXPENDITURES FOR THE YEAR ENDED JULY 31, 2021	25-26
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS, ALL GOVERNMENTAL FUND TYPES	27
SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS	28
TAXES LEVIED AND RECEIVABLE	29-30
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS	31-36
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT	37-38
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND	39
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND	40
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	41-42

Mark C. Eyring, CPA, PLLC

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

November 3, 2021

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rolling Creek Utility District
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Rolling Creek Utility District, as of and for the year ended July 31, 2021, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 assessment of the risk 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 entity's internal control. Accordingly I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Rolling Creek Utility District as of July 31, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 8 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 21 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 22 to 42 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

A handwritten signature in black ink, appearing to read "M. G. J.", is located at the bottom right of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Rolling Creek Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended July 31, 2021.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

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

Summary of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current and other assets	\$ 7,869,482	\$ 6,883,573	\$ 985,909
Capital assets	<u>11,807,025</u>	<u>13,710,676</u>	<u>(1,903,651)</u>
Total assets	<u>19,676,507</u>	<u>20,594,249</u>	<u>(917,742)</u>
Long-term liabilities	21,154,855	20,452,136	702,719
Other liabilities	<u>1,124,284</u>	<u>1,058,191</u>	<u>66,093</u>
Total liabilities	<u>22,279,139</u>	<u>21,510,327</u>	<u>768,812</u>
Net position:			
Invested in capital assets, net of related debt	(9,970,421)	(7,323,433)	(2,646,988)
Restricted	3,521,280	3,144,349	376,931
Unrestricted	<u>3,846,509</u>	<u>3,263,006</u>	<u>583,503</u>
Total net position	<u>\$ (2,602,632)</u>	<u>\$ (916,078)</u>	<u>\$ (1,686,554)</u>

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Property taxes	\$ 2,317,868	\$ 2,162,960	\$ 154,908
Charges for services	1,857,272	1,676,185	181,087
Other revenues	<u>21,783</u>	<u>70,983</u>	<u>(49,200)</u>
Total revenues	<u>4,196,923</u>	<u>3,910,128</u>	<u>286,795</u>
Expenses:			
Service operations	4,961,409	2,560,361	2,401,048
Debt service	<u>922,068</u>	<u>1,011,637</u>	<u>(89,569)</u>
Total expenses	<u>5,883,477</u>	<u>3,571,998</u>	<u>2,311,479</u>
Change in net position	(1,686,554)	338,130	(2,024,684)
Net position, beginning of year	<u>(916,078)</u>	<u>(1,254,208)</u>	<u>338,130</u>
Net position, end of year	<u>\$ (2,602,632)</u>	<u>\$ (916,078)</u>	<u>\$ (1,686,554)</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended July 31, 2021, were \$7,346,307, an increase of \$957,379 from the prior year.

The General Fund balance increased by \$581,151, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$207,436, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$168,792, as proceeds of the Series 2020A bonds and interest earnings on deposits exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors amended the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated an increase in the fund balance during the year of \$308,505. During the fiscal year, the Board of Directors adopted an amended budget which anticipated an increase in the fund balance during the year of \$307,448. The change from the original budget to the final budget was an increase in security services expenditures.

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of July 31, 2021, was expected to be \$3,554,127, and the actual end of year fund balance was \$3,827,830.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land	\$ 141,215	\$ 141,215	\$ 0
Construction in progress	1,185,773	3,651,749	(2,465,976)
Water facilities	3,382,326	3,325,971	56,355
Sewer facilities	5,940,892	5,381,863	559,029
Drainage facilities	1,156,819	1,209,878	(53,059)
Totals	<u>\$ 11,807,025</u>	<u>\$ 13,710,676</u>	<u>\$ (1,903,651)</u>

Changes to capital assets during the fiscal year ended July 31, 2021, are summarized as follows:

Additions:

Wastewater treatment plant improvements	\$ 17,607
Water, sewer and drainage construction by developer	763,890
Total additions to capital assets	<u>781,497</u>

Decreases:

Transfer of subdivision drainage system to Harris County	(2,211,590)
Depreciation	<u>(473,558)</u>

Net change to capital assets	<u>\$ (1,903,651)</u>
------------------------------	-----------------------

Debt

Changes in the bonded debt position of the District during the fiscal year ended July 31, 2021, are summarized as follows:

Bonded debt payable, beginning of year	\$ 17,380,000
Sale of bonds	3,815,000
Bonds paid	(620,000)
Bonded debt payable, end of year	<u>\$ 20,575,000</u>

At July 31, 2021, the District had \$34,718,842 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds have an underlying rating of BBB+ by Standard & Poor's. The Series 2010, 2012 and 2020 bonds are insured by Assured Guaranty Municipal Corp., the Series 2014, 2019 and 2020A bonds are insured by Build America Mutual Assurance Company and the Series 2015 bonds are insured by Municipal Assurance Corp. The insured rating of the Series 2010, 2012, 2014, 2015, 2019, 2020 and 2020A bonds is AA by Standard & Poor's. The Series 2012 bonds are also rated A2 by Moody's. There were no changes in the bond ratings during the fiscal year ended July 31, 2021.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At July 31, 2021, the estimated amount due to developers was \$1,185,773.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$32,830,000 for the 2020 tax year (approximately 11%), due to the addition of new houses to the tax base and the increase in the average assessed valuations on existing property.

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston, the District must conform to a City of Houston ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Houston without the District's consent. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

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

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

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District") Regulatory Area No. 3. The Subsidence District regulates the withdrawal of groundwater within its jurisdiction. The District's authority to pump ground water from its well is subject to annual permits issued by the Subsidence District. The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. Beginning in January 2003, the District was required to have a groundwater reduction plan ("GRP"), approved by the Subsidence District. The Subsidence District designated January 2010, as the date required for the District to restrict the withdrawal of ground water and convert 30% of its total water use to surface water; January 2025, as the date required for the District to restrict the withdrawal of ground water and convert 60% of its total water use to surface water and January 2035, as the date required for the District to restrict the withdrawal of ground water and convert 80% of its total water use to surface water. If the District does not meet the requirements of the Subsidence District, the District may be required to pay the disincentive fees adopted by the Subsidence District.

In May, 2001, the Texas Legislature created the West Harris County Regional Water Authority (the "Authority") and included the District within the boundaries of the Authority. The Authority was created to provide a regional entity to build the necessary facilities to meet the subsidence District's requirements for conversion from ground water to surface water of all permit holders within its boundaries, including the District. Accordingly, the District is required to pay groundwater reduction plan fees to the Authority, and in turn is entitled to rely upon the Authority's GRP to achieve compliance with the Subsidence District's requirements. In accordance with the GRP, the Authority has negotiated a water supply contract with the City of Houston and has issued revenue bonds to finance the surface water supply system. The Authority may establish such fees, charges, or tolls as necessary to accomplish its purposes. At July 31, 2021, the Authority's well pumpage fee was equal to \$3.45 per 1,000 gallons pumped, and is expected to increase in the future. At July 31, 2021, the Authority's surface water usage fee was equal to \$3.85 per 1,000 gallons, and is expected to increase in the future.

The District cannot predict the amount or level of fees and charges which may be due the Authority for future years, but anticipates that it will pass such fees through to its customers in higher water and sewer rates. In the event the Authority fails to meet the Subsidence District's requirements by the deadlines established by the Subsidence District, the District and others within the Authority's GRP group could be required to pay the disincentive fee on withdrawn groundwater. This disincentive fee is substantial, and the District expects it would need to pass such fee through to its customers in higher water and sewer rates. This disincentive fee would be in addition to the Authority's fee.

ROLLING CREEK UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

JULY 31, 2021

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 294,676	\$ 50,898	\$ 168,800	\$ 514,374	\$	\$ 514,374
Certificates of deposit, at cost, Note 7	732,396	1,091,779		1,824,175		1,824,175
Temporary investments, at cost, Note 7	3,063,078	2,203,201		5,266,279		5,266,279
Receivables:						
Property taxes	18,679	34,479		53,158		53,158
Accrued penalty and interest on property taxes				0	21,549	21,549
Service accounts	134,963			134,963		134,963
Accrued interest	2,075	4,701		6,776		6,776
Other	15,997			15,997		15,997
Prepaid expenditures	32,211			32,211		32,211
Maintenance taxes collected not yet transferred from other fund	698			698	(698)	698
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	1,326,988	1,326,988
Depreciable capital assets				0	10,480,037	10,480,037
Total assets	\$4,294,773	\$3,385,058	\$ 168,800	\$ 7,848,631	11,827,876	19,676,507
LIABILITIES						
Accounts payable	\$ 314,205	\$ 204	\$	\$ 314,409		314,409
Accrued interest payable				0	53,225	53,225
Customer and builder deposits	134,059			134,059		134,059
Maintenance taxes collected not yet transferred to other fund		698		698	(698)	698
Long-term liabilities, Note 5:						
Due within one year				0	622,591	622,591
Due in more than one year				0	21,154,855	21,154,855
Total liabilities	448,264	902	0	449,166	21,829,973	22,279,139
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	18,679	34,479	0	53,158	(53,158)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Debt service		3,349,677		3,349,677	(3,349,677)	0
Capital projects			168,800	168,800	(168,800)	0
Unassigned	3,827,830			3,827,830	(3,827,830)	0
Total fund balances	3,827,830	3,349,677	168,800	7,346,307	(7,346,307)	0
Total liabilities, deferred inflows, and fund balances	\$4,294,773	\$3,385,058	\$ 168,800	\$ 7,848,631		
Net position:						
Invested in capital assets, net of related debt, Note 4					(9,970,421)	(9,970,421)
Restricted for debt service					3,352,480	3,352,480
Restricted for capital projects					168,800	168,800
Unrestricted					3,846,509	3,846,509
Total net position					\$ (2,602,632)	\$ (2,602,632)

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

ROLLING CREEK UTILITY DISTRICT

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

FOR THE YEAR ENDED JULY 31, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 847,486	\$ 1,458,142	\$	\$ 2,305,628	\$ 5,410	\$ 2,311,038
Water service	452,303			452,303		452,303
Sewer service	581,904			581,904		581,904
Surface water fees, Note 9	604,770			604,770		604,770
Penalty, interest and other	40,325	2,632		42,957	4,198	47,155
Tap connection and inspection fees	177,970			177,970		177,970
Interest on deposits and investments	10,217	11,566		21,783		21,783
Accrued interest on bonds received at date of sale		4,975		4,975	(4,975)	0
Total revenues	<u>2,714,975</u>	<u>1,477,315</u>	<u>0</u>	<u>4,192,290</u>	<u>4,633</u>	<u>4,196,923</u>
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	123,106	10,516	3,790	137,412		137,412
Contracted services	96,981	40,226		137,207		137,207
Utilities	100,369			100,369		100,369
Surface water fees, Note 9	601,458			601,458		601,458
Repairs, maintenance and other operating expenditures	683,411			683,411		683,411
Security services	73,308			73,308		73,308
Garbage disposal	281,804			281,804		281,804
Administrative expenditures	61,341	7,729		69,070		69,070
Depreciation				0	473,558	473,558
Capital outlay / non-capital outlay	112,046		3,229,866	3,341,912	(1,035,883)	2,306,029
Interest on developer construction			97,783	97,783		97,783
Debt service:						
Principal retirement		620,000		620,000	(620,000)	0
Bond issuance expenditures			290,389	290,389		290,389
Interest and fees		591,408		591,408	40,271	631,679
Total expenditures / expenses	<u>2,133,824</u>	<u>1,269,879</u>	<u>3,621,828</u>	<u>7,025,531</u>	<u>(1,142,054)</u>	<u>5,883,477</u>
Excess (deficiency) of revenues over expenditures	<u>581,151</u>	<u>207,436</u>	<u>(3,621,828)</u>	<u>(2,833,241)</u>	<u>1,146,687</u>	<u>(1,686,554)</u>
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		24,380	3,790,620	3,815,000	(3,815,000)	0
Bond issuance discounts, Note 5		(24,380)		(24,380)	24,380	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>3,790,620</u>	<u>3,790,620</u>	<u>(3,790,620)</u>	<u>0</u>
Net change in fund balances / net position	581,151	207,436	168,792	957,379	(2,643,933)	(1,686,554)
Beginning of year	<u>3,246,679</u>	<u>3,142,241</u>	<u>8</u>	<u>6,388,928</u>	<u>(7,305,006)</u>	<u>(916,078)</u>
End of year	<u>\$ 3,827,830</u>	<u>\$ 3,349,677</u>	<u>\$ 168,800</u>	<u>\$ 7,346,307</u>	<u>\$ (9,948,939)</u>	<u>\$ (2,602,632)</u>

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

ROLLING CREEK UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2021

NOTE 1: REPORTING ENTITY

Rolling Creek Utility District (the "District") was created by Acts of the 62nd Legislature of the State of Texas, Regular Session, 1971, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on January 17, 1984, and the first bonds were sold on September 30, 1985. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 7,346,307
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		11,807,025
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (20,575,000)	
Deferred charge on refunding (to be amortized as interest expense)	18,367	
Issuance discount, net of premium (to be amortized as interest expense)	(35,040)	
Due to developers	<u>(1,185,773)</u>	(21,777,446)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	21,549	
Uncollected property taxes	<u>53,158</u>	74,707
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(53,225)</u>
Net position, end of year		<u>\$ (2,602,632)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ 957,379
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	\$ 1,035,883	
Depreciation	<u>(473,558)</u>	562,325
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:		
Bonds issued	(3,815,000)	
Principal reduction	<u>620,000</u>	(3,195,000)
The funds report the effect of bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding charges	(12,649)	
Issuance premiums, net of discounts	<u>(1,664)</u>	(14,313)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	4,198	
Uncollected property taxes	<u>5,410</u>	9,608
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Accrued interest		<u>(6,553)</u>
Change in net position		<u>\$ (1,686,554)</u>

NOTE 4: CAPITAL ASSETS

At July 31, 2021, "Invested in capital assets, net of related debt" was \$(9,970,421). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Within Harris County, the county government assumes the maintenance and other incidents of ownership of most storm sewer facilities constructed by the District. Accordingly, these assets are not recorded in the financial statements of the District. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended July 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 141,215	\$	\$	\$ 141,215
Construction in progress	<u>3,651,749</u>	<u>763,890</u>	<u>3,229,866</u>	<u>1,185,773</u>
Total capital assets not being depreciated	<u>3,792,964</u>	<u>763,890</u>	<u>3,229,866</u>	<u>1,326,988</u>
Depreciable capital assets:				
Water system	6,973,927	273,310		7,247,237
Sewer system	7,716,469	762,573		8,479,042
Drainage system	<u>2,387,637</u>			<u>2,387,637</u>
Total depreciable capital assets	<u>17,078,033</u>	<u>1,035,883</u>	<u>0</u>	<u>18,113,916</u>
Less accumulated depreciation for:				
Water system	(3,647,956)	(216,955)		(3,864,911)
Sewer system	(2,334,606)	(203,544)		(2,538,150)
Drainage system	<u>(1,177,759)</u>	<u>(53,059)</u>		<u>(1,230,818)</u>
Total accumulated depreciation	<u>(7,160,321)</u>	<u>(473,558)</u>	<u>0</u>	<u>(7,633,879)</u>
Total depreciable capital assets, net	<u>9,917,712</u>	<u>562,325</u>	<u>0</u>	<u>10,480,037</u>
Total capital assets, net	<u>\$ 13,710,676</u>	<u>\$ 1,326,215</u>	<u>\$ 3,229,866</u>	<u>\$ 11,807,025</u>
Changes to capital assets:				
Increase in liability to developer for construction		\$ 1,035,883	\$	
Assets transferred to depreciable assets		1,018,276	1,018,276	
Transfer of subdivision drainage to Harris County		2,211,590	2,211,590	
Capital outlay paid (decrease in liability) to developer		(3,229,866)		
Increase in liability to developer for construction		763,890		
Less depreciation expense for the fiscal year		<u>(473,558)</u>		
Net increases / decreases to capital assets		<u>\$ 1,326,215</u>	<u>\$ 3,229,866</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended July 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 17,380,000	\$ 3,815,000	\$ 620,000	\$ 20,575,000	\$ 655,000
Less deferred amounts:					
For refunding charges	(31,016)		(12,649)	(18,367)	(10,097)
For issuance (discounts) premiums	<u>33,376</u>	<u>(24,380)</u>	<u>(26,044)</u>	<u>35,040</u>	<u>(22,312)</u>
Total bonds payable	<u>17,382,360</u>	<u>3,790,620</u>	<u>581,307</u>	<u>20,591,673</u>	<u>622,591</u>
Due to developers (see below)	<u>3,651,749</u>	<u>763,890</u>	<u>3,229,866</u>	<u>1,185,773</u>	<u>-----</u>
Total long-term liabilities	<u>\$ 21,034,109</u>	<u>\$ 4,554,510</u>	<u>\$ 3,811,173</u>	<u>\$ 21,777,446</u>	<u>\$ 622,591</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of July 31, 2021, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 655,000	\$ 626,186	\$ 1,281,186
2023	805,000	599,375	1,404,375
2024	860,000	569,930	1,429,930
2025	885,000	539,131	1,424,131
2026	915,000	513,031	1,428,031
2027 - 2031	4,995,000	2,231,249	7,226,249
2032 - 2036	5,870,000	1,416,258	7,286,258
2037 - 2040	<u>5,590,000</u>	<u>376,714</u>	<u>5,966,714</u>
	<u>\$ 20,575,000</u>	<u>\$ 6,871,874</u>	<u>\$ 27,446,874</u>

Bonds voted	\$ 64,605,000
Bonds approved for sale and sold for facilities and refunding	29,886,158
Bonds voted and not issued	34,718,842

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

The bond issues payable at July 31, 2021, were as follows:

	<u>Refunding Series 2010</u>	<u>Refunding Series 2012</u>	<u>Series 2014</u>
Amounts outstanding, July 31, 2021	\$415,000	\$30,000	\$2,850,000
Interest rates	4.00%	3.25%	4.00% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2021	September 1, 2021/2022	September 1, 2021/2033
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	September 1, 2017*	September 1, 2019*	September 1, 2021*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Refunding Series 2015</u>	<u>Series 2019</u>	<u>Refunding Series 2020</u>
Amounts outstanding, July 31, 2021	\$1,625,000	\$6,595,000	\$5,245,000
Interest rates	3.00% to 3.125%	3.375% to 4.00%	2.00% to 4.00%
Maturity dates, serially beginning/ending	September 1, 2021/2030	September 1, 2031/2039	September 1, 2021/2030
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	September 1, 2022*	September 1, 2024*	September 1, 2025*
	<u>Series 2020A</u>		
Amounts outstanding, July 31, 2021	\$3,815,000		
Interest rates	2.00% to 2.25%		
Maturity dates, serially beginning/ending	September 1, 2022/2039		
Interest payment dates	September 1/March 1		
Callable dates	September 1, 2025*		

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

Developer Construction Commitments and Liabilities

Developers within the District are currently constructing certain underground facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The developer's engineer stated that cost of the construction in progress at July 31, 2021, was \$1,185,773. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES

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

The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At an election held April 7, 1984, the voters within the District authorized a maintenance tax not to exceed \$0.25 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On October 7, 2020 the District levied the following ad valorem taxes for the 2020 tax year on the adjusted taxable valuation of \$340,278,931:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.4300	\$ 1,463,199
Maintenance	<u>0.2500</u>	<u>850,697</u>
	<u>\$ 0.6800</u>	<u>\$ 2,313,896</u>

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

2020 tax year total property tax levy	\$ 2,313,896
Appraisal district adjustments to prior year taxes	<u>(2,858)</u>
Statement of Activities property tax revenues	<u>\$ 2,311,038</u>

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$2,338,549 and the bank balance was \$2,345,022. Of the bank balance, \$2,105,735 was covered by federal insurance and \$239,287 was covered by a letter of credit in favor of the District issued by the Federal Home Loan Bank of Atlanta.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$5,266,279.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Debt Service Fund

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

Cash	\$ 50,898
Certificates of deposit	1,091,779
Temporary investments	<u>2,203,201</u>
	<u>\$ 3,345,878</u>

Capital Projects Fund

For construction of capital assets:

Cash	<u>\$ 168,800</u>
------	-------------------

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At July 31, 2021, the District had physical damage and boiler and machinery coverage of \$9,798,000, comprehensive general liability coverage with a per occurrence limit of \$2,000,000 and \$4,000,000 general aggregate, automobile liability coverage of \$1,000,000, pollution coverage of \$1,000,000, worker's compensation coverage of \$1,000,000, consultant's crime coverage of \$50,000 and a tax assessor-collector bond of \$50,000.

NOTE 9: REGIONAL WATER AUTHORITY

The West Harris County Regional Water Authority (the "Authority") was created by House Bill 1842, Acts of the 77th Legislature, Regular Session 2001. The Authority is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Authority is empowered to, among other powers, "acquire or develop surface water and groundwater supplies from sources inside of or outside of the boundaries of the authority and may conserve, store, transport, treat, purify, distribute, sell and deliver water to persons, corporations, municipal corporations, political subdivisions of the state, and others, inside of and outside of the boundaries of the authority." The Authority is also empowered to "establish fees and charges as necessary to enable the authority to fulfill the authority's regulatory obligations." In accordance with this provision, as of July 31, 2021, the Authority had established a well pumpage fee of \$3.45 per 1,000 gallons of water pumped from each regulated well and a surface water usage fee of \$3.85 per 1,000 gallons of water purchased. The District's pumpage and surface water fees payable to the Authority for the fiscal year ended July 31, 2021, were \$601,458. The District billed its customers \$604,770 during the fiscal year to pay for the fees charged by the Authority.

ROLLING CREEK UTILITY DISTRICT

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

FOR THE YEAR ENDED JULY 31, 2021

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 850,150	\$ 850,150	\$ 847,486	\$ (2,664)
Water service	400,000	400,000	452,303	52,303
Sewer service	500,000	500,000	581,904	81,904
Surface water fees	648,000	648,000	604,770	(43,230)
Penalty and other	24,500	24,500	40,325	15,825
Tap connection and inspection fees	55,000	55,000	177,970	122,970
Interest on deposits and investments	25,000	25,000	10,217	(14,783)
TOTAL REVENUES	<u>2,502,650</u>	<u>2,502,650</u>	<u>2,714,975</u>	<u>212,325</u>
EXPENDITURES				
Service operations:				
Professional fees	230,950	230,950	123,106	(107,844)
Contracted services	82,668	82,668	96,981	14,313
Utilities	90,000	90,000	100,369	10,369
Surface water fees	648,000	648,000	601,458	(46,542)
Repairs, maintenance and other operating expenditures	690,800	690,800	683,411	(7,389)
Security services	72,552	73,609	73,308	(301)
Garbage disposal	242,500	242,500	281,804	39,304
Administrative expenditures	76,675	76,675	61,341	(15,334)
Capital outlay	60,000	60,000	112,046	52,046
TOTAL EXPENDITURES	<u>2,194,145</u>	<u>2,195,202</u>	<u>2,133,824</u>	<u>(61,378)</u>
EXCESS REVENUES (EXPENDITURES)	<u>308,505</u>	<u>307,448</u>	<u>581,151</u>	<u>273,703</u>
FUND BALANCE, BEGINNING OF YEAR	<u>3,246,679</u>	<u>3,246,679</u>	<u>3,246,679</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,555,184</u>	<u>\$ 3,554,127</u>	<u>\$ 3,827,830</u>	<u>\$ 273,703</u>

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

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
JULY 31, 2021

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

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in General Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
JULY 31, 2021

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

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$21.00	10,000	N	\$1.50 2.00	10,000 to 20,000 Over 20,000
WASTEWATER:	\$33.19		Y		
SURCHARGE:	\$4.15 per 1,000 gallons of water used. – WHCRWA surface water fees. 0.50 % of monthly billing -- TCEQ assessment fees.				

District employs winter averaging for wastewater usage: Yes ☐ No ☒

Total charges per 10,000 gallons usage: Water: \$21.00 Wastewater: \$33.19 Surcharge: \$41.77

ROLLING CREEK UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
JULY 31, 2021

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	0	0	1.0	0
< or = 3/4"	1,454	1,453	1.0	1,453
1"	15	15	2.5	38
1-1/2"	5	5	5.0	25
2"	26	26	8.0	208
3"	0	0	15.0	0
4"	1	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>1,501</u>	<u>1,499</u>		<u>1,724</u>
Total Wastewater	<u>1,466</u>	<u>1,464</u>	1.0	<u>1,464</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 171,402
Gallons billed to customers (unaudited): 152,504

Water Accountability Ratio
(Gallons billed/ gallons pumped): 89%

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

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

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

ROLLING CREEK UTILITY DISTRICT

EXPENDITURES

FOR THE YEAR ENDED JULY 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 10,950	\$	\$	\$ 10,950
Legal	75,273	10,516	3,790	89,579
Engineering	36,883			36,883
	<u>123,106</u>	<u>10,516</u>	<u>3,790</u>	<u>137,412</u>
Contracted services:				
Bookkeeping	17,895			17,895
Operation and billing	79,086			79,086
Tax assessor-collector		23,593		23,593
Central appraisal district		16,633		16,633
	<u>96,981</u>	<u>40,226</u>	<u>0</u>	<u>137,207</u>
Utilities	<u>100,369</u>	<u>0</u>	<u>0</u>	<u>100,369</u>
Surface water fees:				
Ground water pumpage fees	34,416			34,416
Purchased surface water	567,042			567,042
	<u>601,458</u>	<u>0</u>	<u>0</u>	<u>601,458</u>
Repairs, maintenance, and other operating expenditures:				
Repairs and maintenance	542,907			542,907
Sludge hauling	28,270			28,270
Chemicals	48,116			48,116
Laboratory costs	30,051			30,051
Sewer inspection costs	27,107			27,107
TCEQ assessment	5,035			5,035
Other	1,925			1,925
	<u>683,411</u>	<u>0</u>	<u>0</u>	<u>683,411</u>
Security services	<u>73,308</u>	<u>0</u>	<u>0</u>	<u>73,308</u>
Garbage disposal	<u>281,804</u>	<u>0</u>	<u>0</u>	<u>281,804</u>
Administrative expenditures:				
Director's fees	10,950			10,950
Office supplies and postage	19,167			19,167
Insurance	18,194	250		18,444
Permit fees	5,799			5,799
Other	7,231	7,479		14,710
	<u>61,341</u>	<u>7,729</u>	<u>0</u>	<u>69,070</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
EXPENDITURES (Continued)
FOR THE YEAR ENDED JULY 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 17,607	\$	\$ 3,229,866	\$ 3,247,473
Tap connection costs	94,439			94,439
	<u>112,046</u>	<u>0</u>	<u>3,229,866</u>	<u>3,341,912</u>
Interest on developer construction	<u>0</u>	<u>0</u>	<u>97,783</u>	<u>97,783</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>620,000</u>	<u>0</u>	<u>620,000</u>
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>290,389</u>	<u>290,389</u>
Interest and fees:				
Interest		586,408		586,408
Paying agent fees		5,000		5,000
	<u>0</u>	<u>591,408</u>	<u>0</u>	<u>591,408</u>
TOTAL EXPENDITURES	<u>\$ 2,133,824</u>	<u>\$ 1,269,879</u>	<u>\$ 3,621,828</u>	<u>\$ 7,025,531</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

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

FOR THE YEAR ENDED JULY 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 1,885,833	\$ 1,487,504	\$	\$ 3,373,337
Maintenance tax receipts		847,486		847,486
Transfer of maintenance taxes	849,644			849,644
Proceeds from sale of bonds			3,790,620	3,790,620
Receipt of interfund receivable		3,796		3,796
Overpayments from taxpayers		24,517		24,517
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>2,735,477</u>	<u>2,363,303</u>	<u>3,790,620</u>	<u>8,889,400</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,953,996	59,191	3,790	2,016,977
Capital outlay	112,046		3,327,649	3,439,695
Debt service		1,211,408	290,389	1,501,797
Prepaid expenditures	32,211			32,211
Payment of interfund payable	3,796			3,796
Decrease in customer and builder deposits	3,135			3,135
Transfer of maintenance taxes		849,644		849,644
Refund of taxpayer overpayments		24,316		24,316
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>2,105,184</u>	<u>2,144,559</u>	<u>3,621,828</u>	<u>7,871,571</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	630,293	218,744	168,792	1,017,829
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>3,459,857</u>	<u>3,127,134</u>	<u>8</u>	<u>6,586,999</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 4,090,150</u>	<u>\$ 3,345,878</u>	<u>\$ 168,800</u>	<u>\$ 7,604,828</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTSJULY 31, 2021

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 13638	0.50%	1/04/22	\$ 244,345	\$ 696
No. 6550111536	0.35%	3/10/22	243,723	334
No. 6000022514	0.75%	1/04/22	<u>244,328</u>	<u>1,045</u>
			<u>\$ 732,396</u>	<u>\$ 2,075</u>
TexPool				
No. 2677200002	Market	On demand	<u>\$ 3,063,078</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 9009002290	0.65%	8/04/21	\$ 244,922	\$ 1,575
No. 1852001631	0.65%	9/17/21	107,619	608
No. 95900011937394	0.70%	11/30/21	246,687	1,150
No. 6000039393	0.75%	12/10/21	245,126	1,173
No. 1002162799	0.45%	5/28/22	<u>247,425</u>	<u>195</u>
			<u>\$ 1,091,779</u>	<u>\$ 4,701</u>
TexPool				
No. 2677200001	Market	On demand	<u>\$ 2,203,201</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 7,090,454</u>	<u>\$ 6,776</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2021

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 16,327	\$ 31,421
Additions and corrections to prior year taxes	<u>(859)</u>	<u>(1,999)</u>
Adjusted receivable, beginning of year	15,468	29,422
2020 ADJUSTED TAX ROLL	<u>850,697</u>	<u>1,463,199</u>
Total to be accounted for	866,165	1,492,621
Tax collections: Current tax year	(842,649)	(1,449,356)
Prior tax years	<u>(4,837)</u>	<u>(8,786)</u>
RECEIVABLE, END OF YEAR	<u>\$ 18,679</u>	<u>\$ 34,479</u>
RECEIVABLE, BY TAX YEAR		
2009	\$ 6	\$ 16
2014	218	548
2015	1,462	3,509
2016	1,441	3,056
2017	2,612	4,702
2018	2,287	4,116
2019	2,605	4,689
2020	<u>8,048</u>	<u>13,843</u>
RECEIVABLE, END OF YEAR	<u>\$ 18,679</u>	<u>\$ 34,479</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE (Continued)
FOR THE YEAR ENDED JULY 31, 2021

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 71,020,490	\$ 61,661,154	\$ 60,210,126	\$ 56,475,637
Improvements	278,743,947	255,727,305	225,375,796	212,101,477
Personal property	5,459,880	4,236,943	4,555,308	4,613,437
Less exemptions	<u>(14,945,386)</u>	<u>(14,180,000)</u>	<u>(10,885,240)</u>	<u>(11,320,187)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 340,278,931</u>	 <u>\$ 307,445,402</u>	 <u>\$ 279,255,990</u>	 <u>\$ 261,870,364</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.43000	\$ 0.45000	\$ 0.45000	\$ 0.45000
Maintenance tax rates*	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>	<u>0.25000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.68000</u>	 <u>\$ 0.70000</u>	 <u>\$ 0.70000</u>	 <u>\$ 0.70000</u>
 TAX ROLLS				
	<u>\$ 2,313,896</u>	<u>\$ 2,152,118</u>	<u>\$ 1,954,793</u>	<u>\$ 1,833,093</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED				
	<u>99.1 %</u>	<u>99.7 %</u>	<u>99.7 %</u>	<u>99.6 %</u>

*Maximum tax rate approved by voters on April 7, 1984: \$0.25

ROLLING CREEK UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

JULY 31, 2021

<u>Series 2010</u>			
<u>Due During Fiscal Years Ending July 31,</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ 415,000	\$ 8,300	\$ 423,300

<u>Series 2012</u>			
<u>Due During Fiscal Years Ending July 31,</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ 15,000	\$ 731	\$ 15,731
2023	15,000	244	15,244
TOTALS	\$ 30,000	\$ 975	\$ 30,975

<u>Series 2014</u>			
<u>Due During Fiscal Years Ending July 31,</u>	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ 50,000	\$ 123,625	\$ 173,625
2023	50,000	121,125	171,125
2024	50,000	118,625	168,625
2025	50,000	116,125	166,125
2026	50,000	113,875	163,875
2027	50,000	111,875	161,875
2028	75,000	109,375	184,375
2029	75,000	106,375	181,375
2030	75,000	103,281	178,281
2031	75,000	100,094	175,094
2032	725,000	83,094	808,094
2033	750,000	51,281	801,281
2034	775,000	17,437	792,437
TOTALS	\$ 2,850,000	\$ 1,276,187	\$ 4,126,187

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

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

JULY 31, 2021

<u>Due During Fiscal Years Ending July 31,</u>	<u>Series 2015</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ 155,000	\$ 46,862	\$ 201,862
2023	150,000	42,287	192,287
2024	160,000	37,637	197,637
2025	160,000	32,837	192,837
2026	160,000	28,037	188,037
2027	160,000	23,238	183,238
2028	160,000	18,437	178,437
2029	170,000	13,488	183,488
2030	170,000	8,281	178,281
2031	180,000	2,812	182,812
TOTALS	<u>\$ 1,625,000</u>	<u>\$ 253,916</u>	<u>\$ 1,878,916</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)JULY 31, 2021

<u>Due During Fiscal Years Ending July 31,</u>	<u>Series 2019</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$	\$ 234,106	\$ 234,106
2023		234,106	234,106
2024		234,106	234,106
2025		234,106	234,106
2026		234,107	234,107
2027		234,106	234,106
2028		234,106	234,106
2029		234,106	234,106
2030		234,106	234,106
2031		234,106	234,106
2032	95,000	232,206	327,206
2033	105,000	228,206	333,206
2034	120,000	223,706	343,706
2035	935,000	205,528	1,140,528
2036	975,000	172,688	1,147,688
2037	1,020,000	137,775	1,157,775
2038	1,065,000	101,288	1,166,288
2039	1,115,000	62,441	1,177,441
2040	1,165,000	21,116	1,186,116
TOTALS	<u>\$ 6,595,000</u>	<u>\$ 3,726,015</u>	<u>\$ 10,321,015</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

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

JULY 31, 2021

<u>Due During Fiscal Years Ending July 31,</u>	<u>Series 2020</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$ 20,000	\$ 134,700	\$ 154,700
2023	465,000	125,000	590,000
2024	500,000	105,700	605,700
2025	525,000	85,200	610,200
2026	555,000	69,150	624,150
2027	595,000	57,650	652,650
2028	620,000	45,500	665,500
2029	635,000	32,950	667,950
2030	655,000	20,050	675,050
2031	<u>675,000</u>	<u>6,750</u>	<u>681,750</u>
TOTALS	<u>\$ 5,245,000</u>	<u>\$ 682,650</u>	<u>\$ 5,927,650</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

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

JULY 31, 2021

<u>Due During Fiscal Years Ending July 31,</u>	<u>Series 2020A</u>		
	<u>Principal Due September 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2022	\$	\$ 77,862	\$ 77,862
2023	125,000	76,613	201,613
2024	150,000	73,862	223,862
2025	150,000	70,863	220,863
2026	150,000	67,862	217,862
2027	125,000	65,113	190,113
2028	125,000	62,612	187,612
2029	125,000	60,113	185,113
2030	125,000	57,612	182,612
2031	125,000	55,113	180,113
2032	250,000	51,362	301,362
2033	275,000	46,113	321,113
2034	275,000	40,612	315,612
2035	290,000	34,963	324,963
2036	300,000	29,062	329,062
2037	300,000	23,063	323,063
2038	300,000	16,875	316,875
2039	300,000	10,500	310,500
2040	325,000	3,656	328,656
TOTALS	<u>\$ 3,815,000</u>	<u>\$ 923,831</u>	<u>\$ 4,738,831</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

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

JULY 31, 2021

<u>Due During Fiscal Years Ending July 31,</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2022	\$ 655,000	\$ 626,186	\$ 1,281,186
2023	805,000	599,375	1,404,375
2024	860,000	569,930	1,429,930
2025	885,000	539,131	1,424,131
2026	915,000	513,031	1,428,031
2027	930,000	491,982	1,421,982
2028	980,000	470,030	1,450,030
2029	1,005,000	447,032	1,452,032
2030	1,025,000	423,330	1,448,330
2031	1,055,000	398,875	1,453,875
2032	1,070,000	366,662	1,436,662
2033	1,130,000	325,600	1,455,600
2034	1,170,000	281,755	1,451,755
2035	1,225,000	240,491	1,465,491
2036	1,275,000	201,750	1,476,750
2037	1,320,000	160,838	1,480,838
2038	1,365,000	118,163	1,483,163
2039	1,415,000	72,941	1,487,941
2040	1,490,000	24,772	1,514,772
TOTALS	<u>\$ 20,575,000</u>	<u>\$ 6,871,874</u>	<u>\$ 27,446,874</u>

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED JULY 31, 2021

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Bond Series:	2010	2012	2014	2015
Interest Rate:	4.00%	3.25%	4.00% to 5.00%	3.00% to 3.125%
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	September 1, 2021	September 1, 2021/2022	September 1, 2021/2033	September 1, 2021/2030
Bonds Outstanding at Beginning of Current Year	\$ 815,000	\$ 45,000	\$ 2,875,000	\$ 1,775,000
Less Retirements	<u>(400,000)</u>	<u>(15,000)</u>	<u>(25,000)</u>	<u>(150,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 415,000</u>	<u>\$ 30,000</u>	<u>\$ 2,850,000</u>	<u>\$ 1,625,000</u>
Current Year Interest Paid:	<u>\$ 24,600</u>	<u>\$ 1,219</u>	<u>\$ 125,500</u>	<u>\$ 50,687</u>

Bond Descriptions and Original Amount of Issue

- (1) Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2010 (\$5,350,000)
- (2) Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2012 (\$3,520,000)
- (3) Rolling Creek Utility District Unlimited Tax Bonds, Series 2014 (\$3,300,000)
- (4) Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2015 (\$2,335,000)

Paying Agent/Registrar

- (1) Wells Fargo Bank Texas, N.A., Houston, Texas
- (2) Wells Fargo Bank Texas, N.A., Dallas, Texas
- (3) Wells Fargo Bank N.A., Minneapolis, Minnesota
- (4) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Net Debt Service Fund deposits and investments balances as of July 31, 2021:	\$3,349,677
Average annual debt service payment for remaining term of all debt:	1,444,572

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED JULY 31, 2021

	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>Totals</u>
Bond Series:	2019	2020	2020A	
Interest Rate:	3.375% to 4.00%	2.00% to 4.00%	2.00% to 2.25%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity Dates:	September 1, 2031/2039	September 1, 2021/2030	September 1, 2022/2039	
Bonds Outstanding at Beginning of Current Year	\$ 6,595,000	\$ 5,275,000	\$	\$ 17,380,000
Add Bonds Sold			3,815,000	3,815,000
Less Retirements	<u>0</u>	<u>(30,000)</u>	<u>0</u>	<u>(620,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 6,595,000</u>	<u>\$ 5,245,000</u>	<u>\$ 3,815,000</u>	<u>\$ 20,575,000</u>
Current Year Interest Paid:	<u>\$ 234,107</u>	<u>\$ 124,341</u>	<u>\$ 25,954</u>	<u>\$ 586,408</u>

Bond Descriptions and Original Amount of Issue

- (5) Rolling Creek Utility District Unlimited Tax Bonds, Series 2019 (\$6,595,000)
(6) Rolling Creek Utility District Unlimited Tax Refunding Bonds, Series 2020 (\$5,275,000)
(7) Rolling Creek Utility District Unlimited Tax Bonds, Series 2020A (\$3,815,000)

Paying Agent/Registrar

- (5) (6) (7) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Tax and Refunding Bonds</u>
Amount Authorized by Voters:	\$ 4,075,000	\$ 0	\$ 64,605,000
Amount Issued:	4,075,000		29,886,158
Remaining to be Issued:	0		34,718,842

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED JULY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
REVENUES										
Property taxes	\$ 847,486	\$ 766,693	\$ 693,913	\$ 655,376	\$ 587,991	31.1 %	30.9 %	31.2 %	30.9 %	30.1 %
Water service	452,303	432,198	385,381	396,734	364,165	16.7	17.4	17.4	18.6	18.6
Sewer service	581,904	544,636	500,929	489,507	461,508	21.4	22.0	22.6	23.0	23.6
Surface water fees	604,770	557,019	437,470	445,631	384,565	22.3	22.5	19.7	20.9	19.6
Penalty and other	40,325	47,071	40,540	40,319	48,412	1.5	1.9	1.8	1.9	2.5
Tap connection and inspection fees	177,970	95,261	103,603	76,725	99,755	6.6	3.8	4.7	3.6	5.1
Interest on deposits and investments and other	10,217	36,957	55,695	25,279	10,987	0.4	1.5	2.6	1.1	0.5
TOTAL REVENUES	2,714,975	2,479,835	2,217,531	2,129,571	1,957,383	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Professional fees	123,106	127,092	170,109	185,493	180,857	4.5	5.1	7.7	8.7	9.2
Contracted services	96,981	87,771	79,334	81,273	76,923	3.6	3.5	3.6	3.8	3.9
Utilities	100,369	92,529	90,627	93,503	86,503	3.7	3.7	4.1	4.4	4.4
Surface water fees	601,458	563,863	449,143	444,728	376,044	22.0	22.7	20.2	20.9	19.2
Repairs, maintenance and other operating expenditures	683,411	739,376	659,683	584,884	543,618	25.3	30.0	29.8	27.5	27.9
Security services	73,308	70,575	69,165	67,990	67,150	2.7	2.8	3.1	3.2	3.4
Garbage disposal	281,804	262,418	240,454	219,809	226,490	10.4	10.6	10.8	10.3	11.6
Administrative expenditures	61,341	80,953	89,033	75,444	76,863	2.3	3.3	4.0	3.5	3.9
Capital outlay	112,046	35,550	482,998	229,471	183,884	4.1	1.4	21.8	10.8	9.4
TOTAL EXPENDITURES	2,133,824	2,060,127	2,330,546	1,982,595	1,818,332	78.6	83.1	105.1	93.1	92.9
EXCESS REVENUES (EXPENDITURES)	\$ 581,151	\$ 419,708	\$ (113,015)	\$ 146,976	\$ 139,051	21.4 %	16.9 %	(5.1) %	6.9 %	7.1 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,499	1,398	1,316	1,248	1,201					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,464	1,362	1,284	1,219	1,171					

See accompanying independent auditor's report.

ROLLING CREEK UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED JULY 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
REVENUES										
Property taxes	\$ 1,458,142	\$ 1,381,350	\$ 1,249,378	\$ 1,182,050	\$ 1,247,807	98.7 %	96.5 %	96.6 %	98.0 %	98.9 %
Penalty and interest	2,632	6,061	2,184	4,896	3,425	0.2	0.4	0.2	0.4	0.3
Accrued interest on bonds received at date of sale	4,975	10,601	3,902	0	0	0.3	0.7	0.3	0.0	0.0
Interest and fees	11,566	34,024	37,588	19,557	10,595	0.8	2.4	2.9	1.6	0.8
TOTAL REVENUES	<u>1,477,315</u>	<u>1,432,036</u>	<u>1,293,052</u>	<u>1,206,503</u>	<u>1,261,827</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	10,516	6,999	5,425	6,878	9,633	0.7	0.5	0.4	0.6	0.8
Contracted services	40,226	38,061	33,637	31,605	31,586	2.7	2.7	2.6	2.6	2.5
Other expenditures	7,729	5,113	5,345	5,936	7,647	0.5	0.4	0.4	0.5	0.6
Debt service:										
Principal retirement	620,000	570,000	545,000	530,000	520,000	42.1	39.8	42.2	43.9	41.2
Refunding contribution	0	12,155	0	0	0	0.0	0.9	0.0	0.0	0.0
Interest and fees	591,408	694,134	458,781	475,044	490,781	40.0	48.4	35.5	39.4	38.9
TOTAL EXPENDITURES	<u>1,269,879</u>	<u>1,326,462</u>	<u>1,048,188</u>	<u>1,049,463</u>	<u>1,059,647</u>	<u>86.0</u>	<u>92.7</u>	<u>81.1</u>	<u>87.0</u>	<u>84.0</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 207,436</u>	<u>\$ 105,574</u>	<u>\$ 244,864</u>	<u>\$ 157,040</u>	<u>\$ 202,180</u>	<u>14.0 %</u>	<u>7.3 %</u>	<u>18.9 %</u>	<u>13.0 %</u>	<u>16.0 %</u>

ROLLING CREEK UTILITY DISTRICTBOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSJULY 31, 2021

Complete District Mailing Address: Rolling Creek Utility District
c/o Coats Rose, P.C.
9 Greenway Plaza, Suite 1000
Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: May 5, 2021

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Kenneth B. Levenson 1321 Modiste Street Houston, Texas 77055	Elected 5/01/21- 5/03/25	\$ 2,100	\$ 0	President
Adrian M. Shapiro P.O. Box 35353 Houston, Texas 77235-5353	Elected 5/04/19- 5/06/23	2,400	1,226	Vice President/ Inv. Officer
Gary Brown 35 Trafalgar Place Conroe, Texas 77384-5117	Elected 5/04/19- 5/06/23	2,400	49	Secretary/ Treasurer
Ashley Sober 18315 Winding Elm Trail Houston, Texas 77084	Elected 5/01/21- 5/03/25	150	0	Assistant Secretary
Clay Deaton 18215 Langsbury Drive Houston, Texas 77084	Elected 5/01/21- 5/03/25	1,950	0	Asst. Sec/ Assistant Vice Pres.

ROLLING CREEK UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

JULY 31, 2021

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	1/25/84	\$ 87,226 115,945 Bonds	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	10/06/99	3,807	Delinquent Tax Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	1/25/84	21,509 4,000 Bonds	Bookkeeper
Inframark, LLC 32259 Morton Road Brookshire, Texas 77423	6/01/12	823,422	Operator
LJA Engineering & Surveying, Inc. 2929 Briarpark Drive, Suite 600 Houston, Texas 77042	11/01/00	39,056	Engineer
Bob Leared 11111 Katy Freeway, Suite 725 Houston, Texas 77043	7/27/84	29,771 2,500 Bonds	Tax Assessor- Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	16,633	Central Appraisal District
Rathmann and Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, Texas 77024	5/07/03	77,800 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	Prior to 1992	10,950 750 Bonds	Independent Auditor

See accompanying independent auditor's report.

SPECIMEN OF 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

