OFFICIAL STATEMENT DATED JANUARY 12, 2022

IN THE OPINION OF BOND COUNSEL, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 786681

RATINGS: Underlying "A-" (stable outlook) S&P
Insured "AA" (stable outlook) S&P
See "MUNICIPAL BOND RATING" and "BOND INSURANCE" herein

$5,700,000
SAGEMEADOW UTILITY DISTRICT
(A political subdivision of the State of Texas, located in Harris County, Texas)
UNLIMITED TAX BONDS
SERIES 2022

Dated: February 1, 2022 **Due: February 1 (as shown below)**

Interest on the $5,700,000 Unlimited Tax Bonds, Series 2022 (the "Bonds") will accrue from February 1, 2022, and will be payable on August 1 and February 1 of each year, commencing August 1, 2022. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM").

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

Principal Amount	Maturity	Interest Rate	Yield to Maturity(a)	Principal Amount	Maturity	Interest Rate	Yield to Maturity(a)
$135,000	2023	2.00%	0.55%	$150,000	2027	2.00%	1.20%
$140,000	2024	2.00%	0.70%	$155,000	2028 (b)	2.00%	1.40%
$145,000	2025	2.00%	0.85%	$160,000	2029 (b)	2.00%	1.60%
$145,000	2026	2.00%	1.00%				

$335,000 2.000% Term Bond Due February 1, 2031 to Yield 1.80% (a) (b) (c)
$355,000 2.000% Term Bond Due February 1, 2033 to Yield 2.00% (a) (b) (c)
$375,000 2.000% Term Bond Due February 1, 2035 to Yield 2.10% (a) (b) (c)
$395,000 2.000% Term Bond Due February 1, 2037 to Yield 2.20% (a) (b) (c)
$420,000 2.125% Term Bond Due February 1, 2039 to Yield 2.30% (a) (b) (c)
$445,000 2.250% Term Bond Due February 1, 2041 to Yield 2.45% (a) (b) (c)
$715,000 2.500% Term Bond Due February 1, 2044 to Yield 2.60% (a) (b) (c)
$780,000 2.500% Term Bond Due February 1, 2047 to Yield 2.65% (a) (b) (c)
$850,000 2.625% Term Bond Due February 1, 2050 to Yield 2.70% (a) (b) (c)

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

(b) The Bonds maturing on or after February 1, 2028, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined) on February 1, 2027, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within any one maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of $5,000 in any one maturity. See "THE BONDS – Optional Redemption."

(c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption."

The proceeds of the Bonds will be used by Sagemeadow Utility District (the "District") to: (1) finance certain rehabilitation projects related to the District's water supply system; (2) finance certain rehabilitation projects related to the District's sanitary sewer system; (3) fund engineering and testing costs associated with (1) and (2) above; (4) fund 12 months of capitalized interest on the Bonds; and (5) pay issuance and administrative expenses associated with the sale of the Bonds. See "USE OF BOND PROCEEDS."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The Bonds are obligations solely of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Harris County, or the City of Houston is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption "RISK FACTORS."**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about February 10, 2022.

TABLE OF CONTENTS

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

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056, upon payment of duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or 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 their Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Underwriter. See “OFFICIAL STATEMENT – Updating of Official Statement.”

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purpose.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.031890% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.548478%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

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

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. 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 shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB through EMMA. The financial information and operating data which will be provided with respect to the District is found in "DISTRICT DEBT" (except for the information under the subsection "Estimated Overlapping Debt"), "DISTRICT TAX DATA," to the extent available, and "APPENDIX A" (Audited Financial Statements of the District). The District will update and provide this information to EMMA approved by the staff of the United States Securities and Exchange Commission ("SEC") within six months after the end of each of its fiscal years 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 "Rule"). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MRSB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person, any of which reflect financial difficulties. The term "financial obligation" in the immediately preceding paragraphs (15) and (16) means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provisions for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure updated information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The District's 2020 Annual Report filing with the MSRB was timely filed, but, due to an administrative oversight, was missing some required information. The District amended the 2020 Annual Report filing, and has put procedures in place to ensure that future filings are complete.

Except for the foregoing, during the last five years, the District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with the Rule.

MUNICIPAL BOND RATING

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

S&P assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that S&P's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $504.3 million, $181.5 million and $322.8 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

BAM GreenStar Bonds

The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles ("GBPs") developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and as a Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

The Issuer makes no representation regarding the applicability of or suitability of the GreenStar designation. The term "GreenStar" is neither defined in, nor related to, the security documents relating to the Bonds. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described in this official statement. The Issuer is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to "GreenStar" designation. The Issuer has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis and is based on BAM's own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer or that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website https://buildamerica.com/greenstar and https://buildamerica.com/terms-of-use and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

BAM's GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds and is not a recommendation to any person to purchase, hold, or sell the Bonds. Such labeling does not address the market price, marketability or suitability of these Bonds for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgment, circumstances so warrant.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at http://www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

Description: The $5,700,000 Unlimited Tax Bonds, Series 2022 (the "Bonds"), are dated February 1, 2022. The Bonds represent the tenth series of new money bonds to be issued by Sagemeadow Utility District (the "District") for its water, sanitary sewer, and drainage system. The Bonds mature on February 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District, an approving order of the Texas Commission on Environmental Quality (the "TCEQ"), and an election held within the District. See "THE BONDS."

Source of Payment: The Bonds are payable from a continuing direct annual ad valorem tax levied upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."

Redemption Provisions: The Bonds maturing on or after February 1, 2028, are subject to early redemption, in whole or from time to time part, on February 1, 2027, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on February 1 in the years 2031, 2033, 2035, 2037, 2039, 2041, 2044, 2047, and 2050 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on February 1 in the years 2030, 2032, 2034, 2036, 2038, 2040, 2042, 2045, and 2048, respectively. See "THE BONDS – Mandatory Redemption."

Book-Entry-Only System: The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Use of Proceeds: Proceeds from the sale of the Bonds will be used by the District to: (1) finance certain rehabilitation projects related to the District's water supply system; (2) finance certain rehabilitation projects related to the District's sanitary sewer system; (3) fund engineering and testing costs associated with (1) and (2) above; (4) fund 12 months of capitalized interest on the Bonds; and (5) pay issuance and administrative expenses associated with the sale of the Bonds. See "USE OF BOND PROCEEDS."

Payment Record: The District has previously issued nine (9) series of unlimited tax bonds and three (3) series of unlimited tax refunding bonds, of which $13,580,000 principal amount was outstanding as of December 1, 2021 (the "Outstanding Bonds"). The District has never defaulted on the payment of principal of or interest on the Outstanding Bonds. See "DISTRICT DEBT."

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 and represents that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2022 is not reasonably expected to exceed $10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations."

Municipal Bond Rating: In connection with the sale of the Bonds, the District made application to S&P, which assigned a rating of "A-" (stable outlook) on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."

Bond Insurance: S&P assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

Legal Opinion: Sanford Kuhl Hagan Kugle Parker Kahn LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."

Paying Agent/Registrar: The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

Risk Factors: The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."

THE DISTRICT

Authority: The District is a municipal utility district created by an act of the 62nd Texas Legislature, Regular Session, 1971, now codified as Chapter 8371, Texas Special District Local Laws Code, as amended. The District operates pursuant to Article XVI, Section 59 of the Texas Constitution and, including but not limited to, the authority of Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the "TCEQ"). The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, under certain limited circumstances the District is authorized to construct, develop, and maintain park and recreational facilities. See "THE DISTRICT – Authority."

Description and Location: The District, as it was originally created, included approximately 320 acres of land. Since its creation, the District has annexed certain tracts of land, and the District presently includes approximately 591 acres. The District is located within Harris County, Texas, and within the exclusive extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located in southern Harris County and lies approximately 15 miles southeast of the central business district of the City. The District is located approximately one-half of a mile south and approximately two (2) miles west of the intersection of the Sam Houston Toll Road and Interstate Highway 45. See "THE DISTRICT – Description and Location."

Development of the District: The District is substantially built out and was developed during the 1970's for predominantly single-family residential purposes in the subdivisions known as Sage Meadow, Sections 1 – 8 and Kirkwood South, Sections 1 – 6. Such single-family residential development in the Sage Meadow subdivision and the Kirkwood South subdivision includes 1,979 homes. Additional single-family residential development in the District was completed and built out during 2014 in the subdivision known as The Lake at Golfcrest, Sections 1 – 2, which includes 156 homes. In total, as of December 1, 2021, the District includes 2,135 single-family residential homes, of which approximately 2,124 are occupied. Additional building development in the District includes a multi-family apartment complex with 200 units and approximately seven (7) acres of commercial retail that presently includes a convenience store, a hardware store, a car wash, and an air conditioning and heating company. See "THE DISTRICT – Summary of Land Use," and "– Current Status of Development."

The System: The District has water supply capacity and wastewater treatment capacity that is adequate to serve all of the District's existing equivalent single-family connections. The underground storm sewer facilities that serve the District include curb and gutter streets with underground storm sewers. The District's storm sewers generally drain into two Harris County Flood Control District channels, which outfall southeast into Clear Creek. The underground storm sewer system in The Lake at Golfcrest subdivision discharge to detention basins, which provide storm water detention to offset increased rainfall runoff associated with development; such detention basins discharge to a Harris County Flood Control District channel that drains southeast to Clear Creek. See "THE SYSTEM."

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

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within Texas. Following the widespread release and distribution of various COVID-19 vaccines in 2020 and 2021, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

2021 Certified Taxable Valuation	$355,274,587	(a)
Direct Debt:		
Outstanding Bonds	$13,580,000	
The Bonds	$5,700,000	
Total Direct Debt	$19,280,000	
See “DISTRICT DEBT”		
Estimated Overlapping Debt	$18,574,015	(b)
Direct and Estimated Overlapping Debt	$37,854,015	
Percentage of Direct Debt to:		
2021 Certified Taxable Valuation	5.43%	
See “DISTRICT DEBT”		
Percentage of Direct and Estimated Overlapping Debt to:		
2021 Certified Taxable Valuation	10.65%	
See “DISTRICT DEBT”		
2021 Tax Rate Per $100 of Assessed Value:		
Debt Service Tax	$0.218	
Maintenance Tax	$0.182	
Contract Fire Tax	$0.100	
Total 2021 Tax Rate	$0.500	
Cash and Temporary Investment Balances as of December 8, 2021:		
General Fund	$3,443,582	(c)
Debt Service Fund	$337,459	(d)

(a) Reflects the January 1, 2021 Certified Taxable Valuation according to data supplied to the District by the Harris County Appraisal District (“HCAD” or the “Appraisal District”); such value excludes $4,423,752 of uncertified value that is still in the certification process. See "DISTRICT TAX DATA" and “TAXING PROCEDURES.”

(b) See “DISTRICT DEBT – Estimated Overlapping Debt.”

(c) Unaudited figure per the District’s records. See “THE SYSTEM – Historical Operations of the System.”

(d) Unaudited figure per the District’s records. Neither Texas law nor the District’s Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See “DISTRICT TAX DATA – Adequacy of Tax Revenue.” The cash and investment balance reflected for the Debt Service Fund includes 12 months of capitalized interest to be funded with the proceeds of the Bonds; such amount will be deposited into such fund on the date of delivery of the Bonds. See “USE OF BOND PROCEEDS.”

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the Outstanding Bonds and the debt service requirements for the Bonds.

Year	Outstanding Debt Service Requirements	Plus: Debt Service Requirements on the Bonds		Total Debt Service Requirements
		Principal	Interest	
2022	$731,025		$64,211	$795,236
2023	$725,344	$135,000	$127,075	$987,419
2024	$763,994	$140,000	$124,325	$1,028,319
2025	$772,194	$145,000	$121,475	$1,038,669
2026	$765,619	$145,000	$118,575	$1,029,194
2027	$749,894	$150,000	$115,625	$1,015,519
2028	$784,566	$155,000	$112,575	$1,052,141
2029	$798,381	$160,000	$109,425	$1,067,806
2030	$786,713	$165,000	$106,175	$1,057,888
2031	$789,425	$170,000	$102,825	$1,062,250
2032	$801,300	$175,000	$99,375	$1,075,675
2033	$827,400	$180,000	$95,825	$1,103,225
2034	$813,100	$185,000	$92,175	$1,090,275
2035	$813,650	$190,000	$88,425	$1,092,075
2036	$843,291	$195,000	$84,575	$1,122,866
2037	$842,009	$200,000	$80,625	$1,122,634
2038	$875,047	$205,000	$76,446	$1,156,493
2039	$847,669	$215,000	$71,984	$1,134,653
2040	$513,681	$220,000	$67,225	$800,906
2041	$522,781	$225,000	$62,218	$809,999
2042	$526,531	$230,000	$56,812	$813,343
2043	$534,806	$240,000	$50,937	$825,743
2044	$260,406	$245,000	$44,875	$550,281
2045	$278,125	$255,000	$38,625	$571,750
2046	$270,313	$260,000	$32,187	$562,500
2047	$262,500	$265,000	$25,625	$553,125
2048	$279,297	$275,000	$18,703	$573,000
2049		$285,000	$11,353	$296,353
2050		$290,000	$3,806	$293,806
TOTALS	**$17,779,059**	**$5,700,000**	**$2,204,082**	**$25,683,141**

Maximum Annual Debt Service Requirements (2038)... $1,156,493

$0.35 debt service tax rate on the 2021 Certified Taxable Valuation of $355,274,587
at 95% collections produces $1,181,288

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

OFFICIAL STATEMENT

relating to

SAGEMEADOW UTILITY DISTRICT
(A political subdivision of the State of Texas located within Harris County, Texas)

$5,700,000
UNLIMITED TAX BONDS
SERIES 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the $5,700,000 Sagemeadow Utility District Unlimited Tax Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended; an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of Sagemeadow Utility District (the "District"); an approving order of the Texas Commission on Environmental Quality (the "TCEQ"); and an election held within the District.

This Official Statement includes descriptions of the Bonds, the Bond Order, and certain information about the District and its financial condition. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

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

Infectious Disease Outlook (COVID-19)

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

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2020 and 2021, 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.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers, as such bonds are generally bought, sold or traded in the secondary market.

Tax Collections

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

Registered Owners' Remedies

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

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

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

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

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

A district cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

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

Economic Factors

The continued maintenance of taxable values in the District is directly related to the housing and building industry. The housing and building industry has historically been a cyclical industry, affected by both short- and long-term interest rates, availability of mortgage and development funds, labor conditions and general economic conditions including the relative price of oil and natural gas. A return to relatively high mortgage interest rates similar to those experienced in the past may adversely affect the availability and desirability of mortgage financing for new homes, hence reducing demand by homebuilders for lots within the District. Commercial building in the District could also be adversely affected by such economic developments.

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

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

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

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

Potential Effects of Oil Price Volatility on the Houston Area

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

Dependence on the Energy Industry

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

Potential Impact of Future Development on District Tax Rates

The District's 2021 debt service tax rate is $0.218 per $100 of assessed valuation.

Assuming no further construction of residential, multi-family and/or commercial projects within the District other than those that have heretofore been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the District's Maximum Annual Debt Service Requirement will be $1,156,493 (2038). The 2021 Certified Taxable Valuation of property within the District is $355,274,587. Assuming no increase or decrease from the 2021 Certified Taxable Valuation and no use of other District funds, a debt service tax rate of $0.35 per $100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Adequacy of Tax Revenue."

Future Debt

At elections held within the District on May 11, 2013, and November 2, 2021, the District's voters authorized the issuance of a total of $40,000,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities. After the issuance of the Bonds, the District will have $25,000,000 of unlimited tax bonds for water, sewer and drainage facilities that will remain authorized, but unissued. At an election held within the District on August 13, 1994, the District's voters authorized the issuance of a total of $13,492,500 of unlimited tax refunding bonds for the purpose of refunding bonds previously issued, of which $13,177,500 remains authorized, but unissued. The District could authorize additional amounts in the future. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District. The District has not authorized any park bonds.

In addition, the District may levy an operation and maintenance tax to support recreational facilities at a rate not to exceed $0.10 per $100 of assessed valuation of taxable property within the District, after such tax is approved at an election. The District has not authorized an operations and maintenance tax for parks and recreational facilities.

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

Continuing Compliance with Certain Covenants

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

Environmental and Air Quality 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 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.

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

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

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

On June 9, 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. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of "waters of the United States." Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Bond Insurance Risk Factors

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

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

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

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

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

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

Changes in Tax Legislation

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

Severe Weather

The District is located approximately 60 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e., "500-year flood" events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Specific Flood Risks

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

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

Hurricane Harvey

The Houston area, including Harris County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the District's Operator and the District's Engineer, the water, sewer, and drainage facilities serving the land within the District did not sustain any significant damage and there was no interruption of water and sewer service to residents of the District. According to the District's Operator and the District's Engineer, approximately 309 homes and approximately 100 multi-family apartment units within the District experienced flooding as a result of Hurricane Harvey. To the best of the District's knowledge, substantially all of the homes that experienced flooding as a result of Hurricane Harvey have been rehabilitated. Additionally, all of the multi-family apartment units that experienced flooding as a result of Hurricane Harvey were located on the first floor of such apartment complex, and have since been rehabilitated and are currently leased or available for leasing.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri, but the District cannot predict the impact of future winter weather events.

Temporary Tax Exemption for Property Damaged by Disaster

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

Tax Payment Installments after Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the 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 jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Harris County and City of Houston Floodplain Regulations

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

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

The City of Houston floodplain regulations govern construction projects in the corporate jurisdiction of the City of Houston and include regulations governing the elevation of structures in the 100-year and 500-year floodplains and the elevation of residential additions greater than one-third the footprint of the existing structure and non-residential additions. Additionally, the City of Houston regulations require an improved structure whose new market value exceeds 50% of the market value of the structure prior to the start of improvements meet the new and amended City of Houston regulations.

The new and amended Harris County and City of Houston regulations may have a negative impact on new development in and around the District as well as on the rehabilitation of existing homes impacted by flooding or other natural disasters.

Atlas 14

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

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used by the District to: (1) finance certain rehabilitation projects related to the District's water supply system; (2) finance certain rehabilitation projects related to the District's sanitary sewer system; (3) fund engineering and testing costs associated with (1) and (2) above; (4) fund 12 months of capitalized interest on the Bonds; and (5) pay issuance and administrative expenses associated with the sale of the Bonds.

IDS Engineering Group (the "Engineer") has advised the District that the proceeds listed below should be sufficient for the construction of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS	**Total Amount**	
District Items		
Water Plant Nos. 1 & 2 Rehabilitation	$3,500,000	
Sanitary Sewer Rehabilitation	$540,000	
Contingencies	$404,000	
Engineering and Testing	$606,000	
Total District Items	**$5,050,000**	
TOTAL CONSTRUCTION COSTS	**$5,050,000**	(a)
NON-CONSTRUCTION COSTS		
Legal Fees	$95,700	
Fiscal Agent Fees	$108,300	
Capitalized Interest	$128,425	
Bond Discount	$169,182	
Bond Issuance Expenses	$44,050	
Bond Application Report Costs	$40,000	
TCEQ Bond Issuance Fee	$14,250	
Attorney General Fee	$5,700	
Contingency	$44,393	(b)
TOTAL NON-CONSTRUCTION COSTS	**$650,000**	
TOTAL BOND ISSUE REQUIREMENT	**$5,700,000**	

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities; none of the facilities being financed with proceeds of the Bonds were subject to such rules.

(b) The District will designate any surplus Bond proceeds as a contingency line item in the Final Official Statement. Such funds will be used by the District to fund costs only after approval by the TCEQ.

THE DISTRICT

Authority

The District is a municipal utility district created by an act of the 62nd Legislature of the State of Texas, Regular Session in 1971, now codified as Chapter 8371, Texas Special District Local Laws Code, as amended. The District operates pursuant to Article XVI, Section 59 of the Texas Constitution and the authority of Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, under certain limited circumstances the District is authorized to construct, develop, and maintain park and recreational facilities.

Description and Location

The District, as it was originally created, included approximately 320 acres of land. Since its creation, the District has annexed certain tracts of land, and the District presently includes approximately 591 acres. The District is located within Harris County, Texas, and within the exclusive extraterritorial jurisdiction of the City. The District is located in southern Harris County and lies approximately 15 miles southeast of the central business district of the City. The District is located approximately one-half of a mile south and approximately two (2) miles west of the intersection of the Sam Houston Toll Road and Interstate Highway 45.

Summary of Land Use

A summary of the approximate land use in the District as of December 1, 2021, appears in the table below:

Type of Land Use	Approximate Acres	
Sage Meadow & Kirkwood South Subdivisions	531	(a)
The Lake at Golfcrest Subdivision	43	(b)
Remaining developable acres	0	
Undevelopable acres	17	(c)
Total Approximate Acres	591	

(a) Represents the 1,979 lots developed during the 1970's as Sage Meadow, Sections 1 – 8 and Kirkwood South, Sections 1 – 6, as well as seven (7) acres of commercial development.

(b) Represents the 156 lots developed as The Lake at Golfcrest, Section 1 – 2, where homebuilding was completed during 2014.

(c) Represents land in streets and road rights-of-way, detention facilities, drainage easements, plant sites, and pipeline easements.

Current Status of Development

As of December 1, 2021, the single-family residential development in the District includes approximately 2,135 single-family residential homes in the subdivisions known as Sage Meadow, Sections 1 – 8, Kirkwood South, Sections 1 – 6, and The Lake at Golfcrest, Sections 1 – 2. According to the District's records, as of December 1, 2021, approximately 2,124 homes in the District are owner-occupied.

Additional building development in the District includes a multi-family apartment complex with 200 units and approximately seven (7) acres of commercial retail that presently includes a convenience store, a hardware store, a car wash, and an air conditioning and heating company.

THE SYSTEM

Regulation

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

Water System

The District currently receives water from the City's water supply system. The District and Kirkmont Municipal Utility District ("Kirkmont") entered into an agreement to form the Regional Water Advisory Committee ("RWAC"). Under the terms of the RWAC agreement, the District and Kirkmont shared in the costs of the water transmission facilities, which convey surface water from the City's water supply facilities to the District's water supply plants. Pursuant to the RWAC agreement with Kirkmont, the District operates its two water supply plants which deliver the treated surface water supplied by the City to the District's distribution system and to Kirkmont's distribution system.

In addition to its surface water supply system described above, the District maintains its groundwater supply source consisting of a water well at each of its water supply plants described above. The ground water supply source serves as a backup source of water supply in the event of a disruption of water service from the City. According to the Engineer, the District has water supply capacity that is more than sufficient to serve the District's existing equivalent single-family connections ("ESFCs").

The District has interconnects with Kirkmont, both of which are located at the District's northwest boundary. The interconnects are normally open to provide for the delivery of surface water to Kirkmont's distribution system. Additionally, the District has emergency interconnects with Clear Brook City Municipal Utility District located at the District's southern and western boundaries.

Wastewater System

The District has entered into a Waste Disposal Agreement with the City for wastewater treatment capacity to serve the ultimate requirements of the District. The District is served by the City's Southeast Wastewater Treatment Plant. Under the terms of the Waste Disposal Agreement with the City, the District has purchased 2,381 ESFCs of wastewater treatment capacity which exceeds the amount of capacity necessary to serve the District. The Waste Disposal Agreement has a term of 40 years from the date the Waste Disposal Agreement was entered into by both the District and the City; the expiration date of the Waste Disposal Agreement is April 14, 2038.

Drainage System

The underground storm sewer facilities that serve the District include curb and gutter streets with underground storm sewers. The District's storm sewers generally drain into two Harris County Flood Control District channels, which outfall southeast into Clear Creek. The underground storm sewer system in The Lake at Golfcrest subdivision discharge to detention basins, which provide storm water detention to offset increased rainfall runoff associated with development; such detention basins discharge to a Harris County Flood Control District channel that drains southeast to Clear Creek.

100-Year Flood Plain

Approximately 93 acres of developed land within the District lies within the 100-year flood plain as depicted on the Federal Emergency Management Agency's Flood Insurance Rate Map Panel 48201C1055L, which became effective June 18, 2007.

Historical Operations of the System

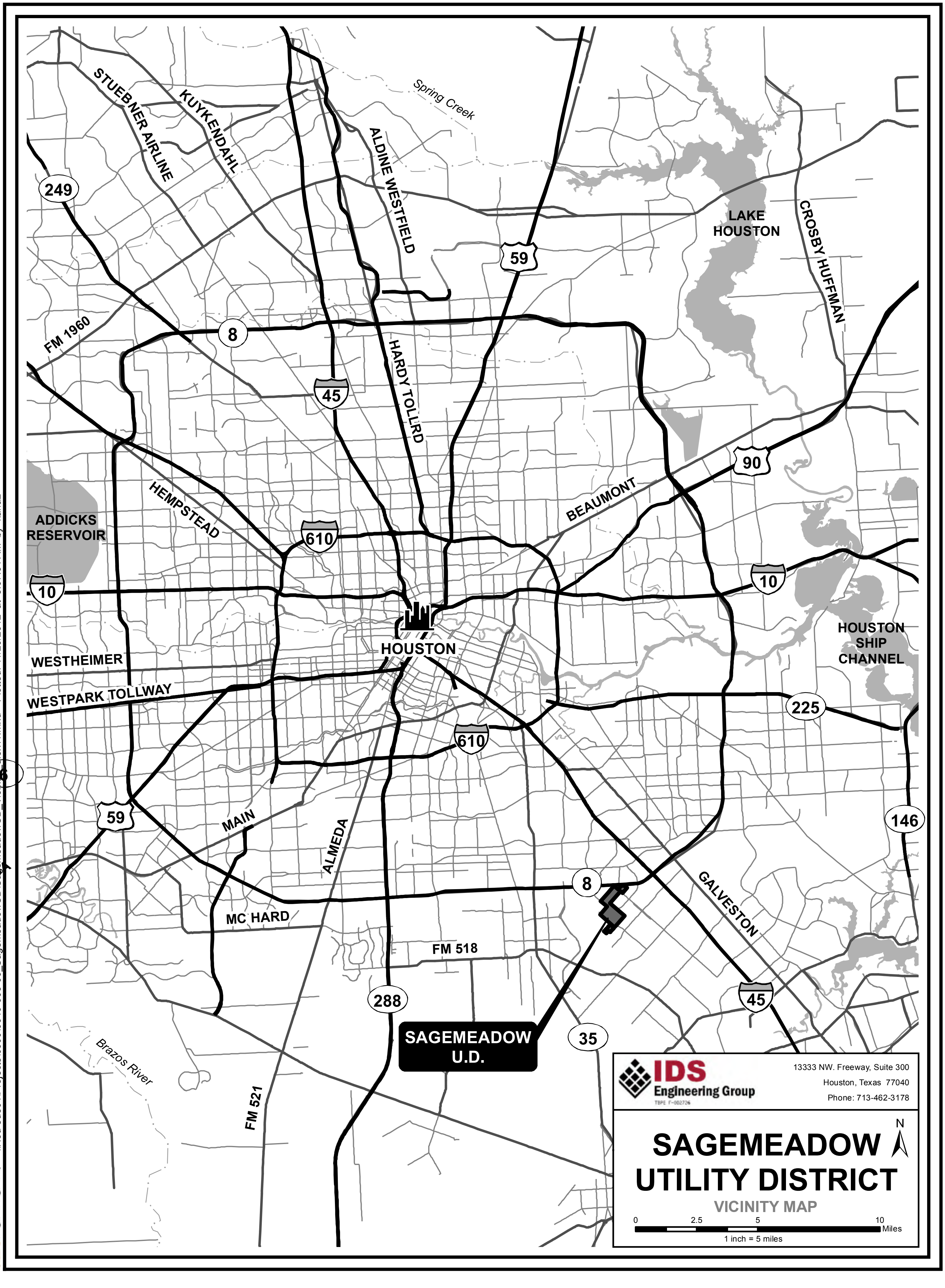
The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's water and sewer system operations is provided for information purposes only.

	Fiscal Year End September 30 (a)				
	2020	**2019**	**2018**	**2017**	**2016**
REVENUES					
Property taxes	$881,510	$851,543	$817,619	$736,956	$800,050
Water service	$1,155,516	$1,064,314	$1,058,003	$1,029,711	$987,472
Sewer service	$879,324	$844,633	$857,781	$855,808	$816,244
Security fee	$272,855	$271,673	$269,281	$202,947	$182,032
Penalty and interest	$31,129	$60,894	$62,065	$66,452	$75,869
Tap connection and inspection fees	$5,320	$8,060	$11,824	$9,572	$7,750
Investment income	$49,825	$60,859	$33,919	$15,736	$7,087
TOTAL REVENUES	**$3,275,479**	**$3,161,976**	**$3,110,492**	**$2,917,182**	**$2,876,504**
EXPENDITURES					
Service operations:					
Purchased services	$837,703	$827,863	$775,393	$775,556	$790,629
Professional fees	$164,997	$138,522	$131,660	$116,494	$113,103
Contracted services	$789,387	$778,127	$774,013	$703,259	$647,817
Solid waste	$324,758	$324,090	$346,641	$369,793	$370,556
Utilities	$34,861	$32,031	$32,407	$33,711	$39,944
Repairs and maintenance	$433,296	$670,981	$588,149	$373,040	$431,460
Other expenditures	$107,149	$104,838	$101,958	$102,455	$98,978
Capital outlay	$166,709	$64,351	$65,665	-	-
Debt issuance costs	$2,688	-	$13,260	-	-
TOTAL EXPENDITURES	**$2,861,548**	**$2,940,803**	**$2,829,146**	**$2,474,308**	**$2,492,487**
EXCESS REVENUES (EXPENDITURES)	$413,931	$221,173	$281,346	$442,874	$384,017
OTHER FINANCING SOURCES					
Interfund transfers in	-	$46,672	-	-	-
EXCESS SOURCES (USES)	$413,931	$267,845	$281,346	$442,874	$384,017
BEGINNING FUND BALANCE	**$2,880,070**	**$2,612,225**	**$2,330,879**	**$1,888,005**	**$1,503,988**
END FUND BALANCE (b)	**$3,294,001**	**$2,880,070**	**$2,612,225**	**$2,330,879**	**$1,888,005**

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of December 8, 2021, the District's General Fund had an unaudited cash and temporary investment balance of $3,443,582. For the fiscal year ended September 30, 2021, the District's General Fund experienced unaudited revenues of approximately $3,412,714 and unaudited expenditures of approximately $3,084,721, which includes approximately $261,491 of capital expenditures. For the fiscal year ending September 30, 2022, the District's General Fund is currently budgeting revenues of approximately $3,537,560, operating expenditures of approximately $2,988,238, and capital expenditures of approximately $305,750.

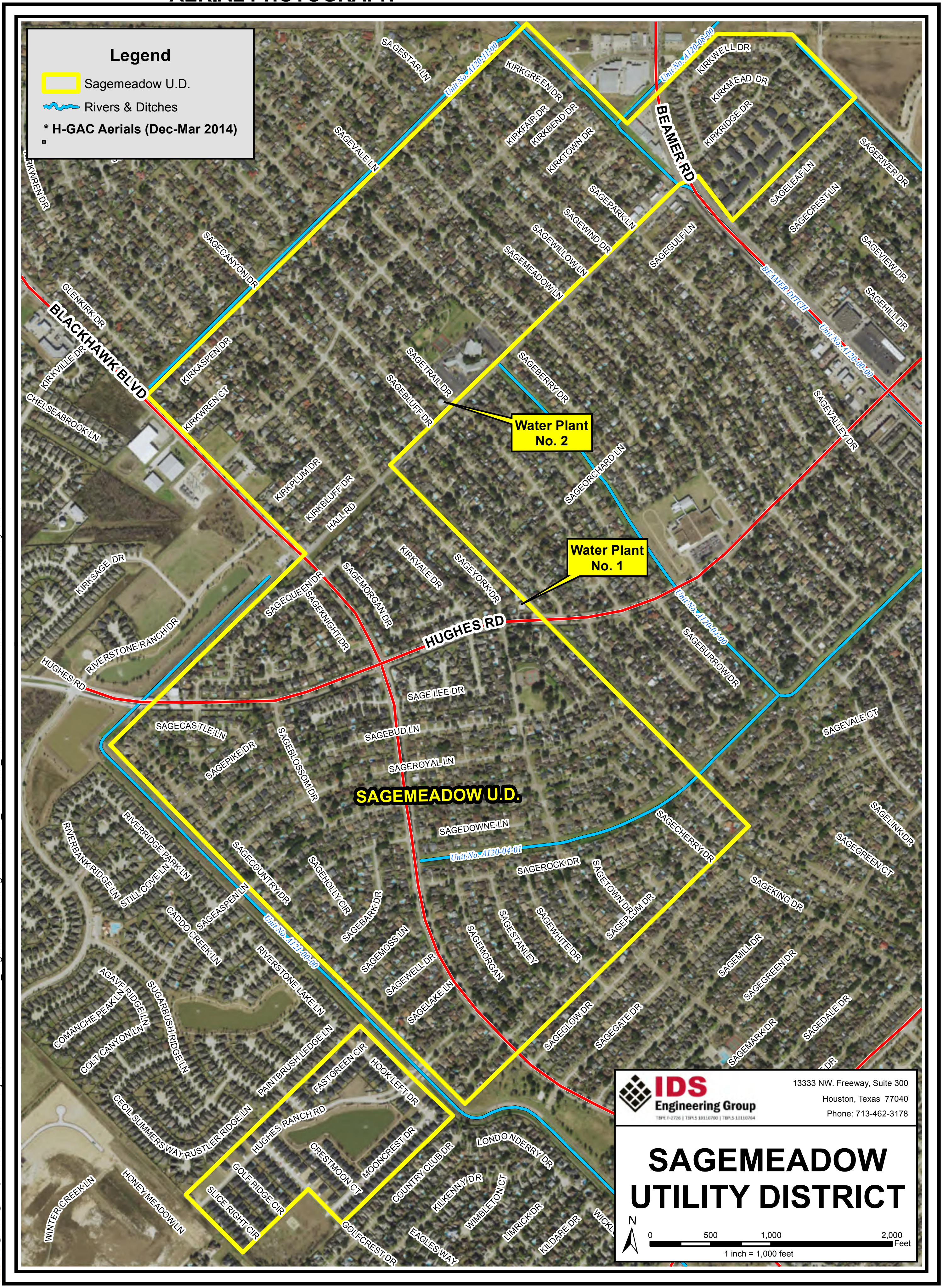
LOCATION MAP



\\Hou-sde01\Projects\0600\0649-005-00_SagemeadowUD_VicMap_8.5x11.mxd Plotted: 11/20/2012 at 8:07:34 AM by karlaz

IDS Engineering Group

AERIAL PHOTOGRAPH



\\HOU-SDE01\Projects\0600\0649-005-00 SagemeadowUD\SagemeadowUD 2014Aerial 8.5x11.mxd Plotted: 6/9/2015 at 1:29:22 PM by karlaz

IDS Engineering Group

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all affairs of the District. All of the directors reside or own property in the District. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

Name	Title	Term Expires May
Glenn Williams	President	2024
David Montgomery	Vice President	2024
Ted Heinrich	Assistant Vice President	2022
Dean Baier	Secretary/Treasurer	2022
Edward Figueroa	Assistant Secretary/Treasurer	2022

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

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

Bookkeeper – The District has contracted with Municipal Accounts & Consulting, L.P. for bookkeeping services.

Auditor – The financial statements of the District as of September 30, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Utility System Operator – The District has engaged Municipal District Services, LLC, to operate and maintain the System.

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

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

Bond Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP serves as Bond Counsel to the District and as general counsel to the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

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

DISTRICT INVESTMENT POLICY

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

DISTRICT DEBT

2021 Certified Taxable Valuation	$355,274,587	(a)
Direct Debt:		
Outstanding Bonds	$13,580,000	
The Bonds	$5,700,000	
Total Direct Debt	$19,280,000	
Estimated Overlapping Debt	$18,574,015	(b)
Direct and Estimated Overlapping Debt	$37,854,015	
Percentage of Direct Debt to:		
2021 Certified Taxable Valuation	5.43%	
Percentage of Direct and Estimated Overlapping Debt to:		
2021 Certified Taxable Valuation	10.65%	
2021 Tax Rate Per $100 of Assessed Value:		
Debt Service Tax	$0.218	
Maintenance Tax	$0.182	
Contract Fire Tax	$0.100	
Total 2021 Tax Rate	$0.500	
Cash and Temporary Investment Balances as of December 8, 2021:		
General Fund	$3,443,582	(c)
Debt Service Fund	$337,459	(d)

(a) Reflects the January 1, 2021 Certified Taxable Valuation according to data supplied to the District by HCAD; such value excludes $4,423,752 of uncertified value that is still in the certification process. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."

(b) See "Estimated Overlapping Debt" herein.

(c) Unaudited figure per the District's records. See "THE SYSTEM – Historical Operations of the System."

(d) Unaudited figure per the District's records. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA – Adequacy of Tax Revenue." The cash and investment balance reflected for the Debt Service Fund includes 12 months of capitalized interest to be funded with the proceeds of the Bonds; such amount will be deposited into such fund on the date of delivery of the Bonds. See "USE OF BOND PROCEEDS."

Estimated Overlapping Debt

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

		Overlapping Debt	
Taxing Jurisdiction	**Outstanding Debt**	**Overlapping %**	**Amount**
Harris County	$1,356,942,125	0.06%	$814,165
Harris County Department of Education	$20,185,000	0.06%	$12,111
Harris County Flood Control District	$584,900,000	0.06%	$350,940
Harris County Hospital District	$81,540,000	0.06%	$48,924
Port of Houston Authority	$469,434,397	0.06%	$281,660
Pasadena Independent School District	$699,030,000	2.04%	$14,260,212
San Jacinto Community College District	$529,434,594	0.53%	$2,806,003
Total Estimated Overlapping Debt			**$18,574,015**
The District (a)			$19,280,000
Total Direct and Estimated Overlapping Debt			**$37,854,015**

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2016 through 2020, and includes certain information relative to the 2021 tax year. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

Tax Year	Taxable Valuation	Tax Rate (a)	Tax Levy	Cumulative Tax Collections (b)	Tax Year Ended September 30
2021	$355,274,587	$0.50000	$1,776,373	(c)	(c)
2020	$336,659,122	$0.47341	$1,593,778	98%	2021
2019	$314,105,215	$0.48000	$1,507,705	99%	2020
2018	$282,374,551	$0.45000	$1,270,685	100%	2019
2017	$280,645,541	$0.45000	$1,262,905	100%	2018
2016	$256,463,912	$0.46000	$1,179,734	100%	2017

(a) See "Tax Rate Distribution" herein.

(b) Represents cumulative collections as of November 30, 2021. According to the District's records, the current tax collections have averaged approximately 97% for the past five years.

(c) The District's 2021 tax levy is in the process of collections; such taxes become delinquent if not paid before February 1, 2022. See "TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a maintenance tax of up to $0.50 per $100.00 of assessed valuation at elections held on August 13, 1983, and May 11, 2013. See "Tax Rate Distribution" herein.

Fire Tax

The District has the statutory authority to undertake fire-fighting activities after developing and adopting a fire-fighting plan which must be then approved by the voters of the District. A fire-fighting plan was approved by the voters of the District on November 4, 1997. In order to finance fire-fighting activities under this plan, the District levied a fire-service contract tax of $0.10 per $100 of assessed value for tax year 2021.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all of any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2016 through 2021.

	2021	2020	2019	2018	2017	2016
Debt Service	$0.21800	$0.19589	$0.20000	$0.15000	$0.16000	$0.17000
Maintenance/Operation	$0.18200	$0.17752	$0.18000	$0.19000	$0.18000	$0.18000
Contract	$0.10000	$0.10000	$0.10000	$0.11000	$0.11000	$0.11000
Total	**$0.50000**	**$0.47341**	**$0.48000**	**$0.45000**	**$0.45000**	**$0.46000**

Additional Penalties

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

Principal Taxpayers

The list of principal taxpayers for 2021 and the other information provided by this table were provided by HCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of HCAD.

Property Owner	Property Description	Property Value	% of Total
Allerton Clear Creek LLC	Land & Improvements	$14,348,959	4.04%
Centerpoint Energy Houston/Entex	Personal Property	$2,999,390	0.84%
Comcast of Houston LLC	Personal Property	$1,174,050	0.33%
LBWC Holdings LLC	Land & Improvements	$1,152,102	0.32%
CSH 2016 2 Borrower LLC	Land & Improvements	$581,500	0.16%
TDK Properties LLC	Land & Improvements	$545,763	0.15%
M&D Ace Partners LLC	Personal Property	$517,061	0.15%
Homeowner	Land & Improvements	$511,652	0.14%
Homeowner	Land & Improvements	$481,679	0.14%
Homeowner	Land & Improvements	$419,625	0.12%
	TOTALS	**$22,731,781**	**6.39%**

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the exemptions for 2016 through 2021.

	Type of Property					
Year	**Land**	**Improvements**	**Personal Property**	**Gross Value**	**Exemptions** (a)	**Taxable Value**
2021	$95,173,196	$351,860,464	$5,781,200	$452,814,860	$97,540,273	$355,274,587 (b)
2020	$94,399,060	$337,472,364	$6,349,839	$438,221,263	$101,562,141	$336,659,122
2019	$84,662,496	$327,110,595	$6,093,123	$417,866,214	$103,760,999	$314,105,215
2018	$75,505,504	$295,000,086	$5,457,553	$375,963,143	$93,588,592	$282,374,551
2017	$75,464,854	$304,213,993	$5,690,630	$385,369,477	$104,723,936	$280,645,541
2016	$73,205,483	$271,293,228	$5,460,324	$349,959,035	$93,495,123	$256,463,912

(a) Substantially all of the exemptions are attributable to the $150,000 exemption granted by the District to individuals 65 and older. See "TAXING PROCEDURES."

(b) Reflects the January 1, 2021 Certified Taxable Valuation according to data supplied to the District by HCAD; such value excludes $4,423,752 of uncertified value that is still in the certification process. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2021 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

Taxing Entities	2021 Tax Rates
Harris County (a)	$0.586340
Pasadena Independent School District	$1.381200
San Jacinto Community College District	$0.167967
Overlapping Taxes	**$2.135507**
The District	$0.500000
Total Direct & Overlapping Taxes	**$2.635507**

(a) Includes taxes levied by Harris County, Harris County Department of Education, Harris County Flood Control District, Harris County Hospital District, and Port of Houston Authority.

Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the 2021 Certified Taxable Valuation and utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2038) $1,156,493

Requires a $0.35 debt service tax rate on the 2021 Certified Taxable Valuation at 95% collections........................$1,181,288

TAXING PROCEDURES

Authority to Levy Taxes

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

Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Harris Central Appraisal District ("HCAD") has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris Central 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 roll and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by HCAD to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles.

In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District currently grants, and has granted each year for the previous 30 years, an exemption of $150,000, and in some years up to $200,000, of the appraised value of the residence homestead of an individual who is disabled or is 65 years of age or older, pursuant to Section 11.13, Texas Tax Code (the "Exemption"). It should be noted that the Exemption granted by the District exceeds such exemptions granted by similarly situated Harris County area districts (i.e., an average of approximately $20,000 - $25,000). The effect of the Exemption on the District's tax roll is a reduction in the District's taxable value of approximately $82,522,401; such reduction by virtue of the Exemption means that in order to generate the same amount of tax revenue, the District has levied a tax rate that is approximately $0.08 per $100 of taxable value higher than it would otherwise have to be if a $25,000 over 65 exemption was granted by the District. The burden of this higher tax rate is borne, for the most part, by the non-elderly taxpayers in the District. The Exemption is granted from year to year, and future District Boards of Directors may increase or decrease the amount of the Exemption at their discretion. However, the Exemption in no way mitigates the District's unlimited tax pledge that secures the interest and principal payments on the Bonds and the District's Outstanding Bonds. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent of between $5,000 and $12,000 of taxable valuation depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value to the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied including the surviving spouse of a disabled veteran who would have qualified for such an exemption if such exemption had been in effect on the date the disabled veteran died. Partially disabled veterans or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount would be transferrable to a subsequent residence homestead of the surviving spouse.

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

Freeport Goods and Goods-in-Transit Exemptions. A "Freeport Exception" 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 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 all prior and subsequent years.

Tax Abatement

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

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

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

From time to time the District may be subject to a natural disaster such as a hurricane, tornado, tropical storm or other adverse weather event severely impacting the entire region and resulting in a disaster declaration by the Governor of the State of Texas. See "RISK FACTORS – Severe Weather". Subject to certain conditions, owners of qualified property in a Governor-declared disaster area are entitled to a temporary property tax exemption, if such qualified property is at least 15 percent damaged, and the owner of such property applies for the exemption within a specified time frame. See "RISK FACTORS – Temporary Tax Exemption for Property Damaged by Disaster."

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: (a) the valuation of property within the District as of the preceding January 1, and (b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount (not to exceed 20%) established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount (not to exceed 20%) established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent (April 1). Similarly, a delinquent tax on real property incurs such additional penalty on July 1 of the year in which taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney not to exceed 20%. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead if the person: (1) has been granted an exemption under Section 11.13, Tax Code, (2) requests an installment agreement, and (3) has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Delinquent Tax Payments for Disaster Areas

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations.

Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt services in the year following a disaster.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2021 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

ANNEXATION AND CONSOLIDATION

Annexation and Consolidation

The District lies within the extraterritorial jurisdiction of the City. Generally, under Texas law, the District may be annexed in whole, but not in part, by the City without the District's consent, in which case the City must assume the assets, functions and obligations of the District, including the Bonds. However, 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. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

The District has the right to consolidate with other districts, and in connection therewith, to provide for the consolidation of its System (hereinafter defined) with the water and sewer systems of the district or districts with which it is consolidating. Should any such consolidation occur, the net revenues from the operation of the consolidated system would be applied to the payment of principal, interest, redemption price and bank charges on the combination unlimited tax and revenue bonds of the District, if any, and of the district or districts with which the District is consolidated without prejudice to any series of bonds, except that bonds with subordinate liens on net revenues hall continue to be subordinate. No representations are made that the District will ever consolidate its utility system with other systems.

Strategic Partnership Agreement – Limited Purpose Annexation by City of Houston

The District has entered into a Strategic Partnership Agreement ("SPA") with the City whereby the tracts of land in the District projected for and containing commercial development were annexed into the City for limited purposes. The City imposes a Sales and Use Tax within the annexed tracts on the receipts from the sale and use at retail of taxable items at the rate of one percent or such other rate as may be imposed by the City from time to time. Under the SPA, one-half (or 50%) of the sales tax revenue generated by the commercial business will be paid to the District, and the District can use the sales tax revenue to: (a) accelerate the development of the water, wastewater and drainage system in the District; (b) accelerate reimbursement to developers for eligible infrastructure development; (c) lower the overall property tax rate to encourage additional development; and (d) perform other District functions that might otherwise be diminished, curtailed, abbreviated or delayed by financial limitations.

The Sales and Use Tax was implemented within the annexed areas. The Comptroller of Public Accounts of the State of Texas remits the sales tax revenues to the City and the City then disburses to the District its share of the tax revenues.

Neither the District nor any owner of taxable property in the District is liable for any present or future debts of the City and current and future ad valorem taxes levied by the City will not be levied on taxable property in the District.

The Bonds are not obligations of the City and the SPA does not obligate the City, either directly or indirectly, to pay the principal of and interest on the Bonds.

THE BONDS

General

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

The Bonds are dated and will bear interest from February 1, 2022, at the per annum rates shown on the cover page hereof. The Bonds are fully registered, serial bonds maturing on February 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable August 1, 2022, and each February 1 and August 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

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

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

Optional Redemption

The District reserves the right to redeem, prior to maturity the Bonds maturing on or after February 1, 2028, in whole or in part from time to time, on February 1, 2027, or on any date thereafter, at a price of par plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the particular Bonds to be redeemed shall be selected by the Registrar by lot or other random selection method in integral multiples of $5,000. Notice of each exercise of the right of redemption will be given at least thirty days prior to the date fixed for redemption by mailing written notice by first class mail to each of the Registered Owners (the "Registered Owners") of the Bonds to be redeemed. When Bonds have been called for redemption, they will become due and payable on the redemption date.

Mandatory Redemption

The Bonds maturing February 1 in the years 2031, 2033, 2035, 2037, 2039, 2041, 2044, 2047, and 2050 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown in the tables below.

$335,000 Term Bonds, due February 1, 2031

Mandatory Redemption Date	Principal Amount
February 1, 2030	$165,000
February 1, 2031 (maturity)	$170,000

$355,000 Term Bonds, due February 1, 2033

Mandatory Redemption Date	Principal Amount
February 1, 2032	$175,000
February 1, 2033 (maturity)	$180,000

$375,000 Term Bonds, due February 1, 2035

Mandatory Redemption Date	Principal Amount
February 1, 2034	$185,000
February 1, 2035 (maturity)	$190,000

$395,000 Term Bonds, due February 1, 2037

Mandatory Redemption Date	Principal Amount
February 1, 2036	$195,000
February 1, 2037 (maturity)	$200,000

$420,000 Term Bonds, due February 1, 2039

Mandatory Redemption Date	Principal Amount
February 1, 2038	$205,000
February 1, 2039 (maturity)	$215,000

$445,000 Term Bonds, due February 1, 2041

Mandatory Redemption Date	Principal Amount
February 1, 2040	$220,000
February 1, 2041 (maturity)	$225,000

$715,000 Term Bonds, due February 1, 2044

Mandatory Redemption Date	Principal Amount
February 1, 2042	$230,000
February 1, 2043	$240,000
February 1, 2044 (maturity)	$245,000

$780,000 Term Bonds, due February 1, 2047

Mandatory Redemption Date	Principal Amount
February 1, 2045	$255,000
February 1, 2046	$260,000
February 1, 2047 (maturity)	$265,000

$850,000 Term Bonds, due February 1, 2050

Mandatory Redemption Date	Principal Amount
February 1, 2048	$275,000
February 1, 2049	$285,000
February 1, 2050 (maturity)	$290,000

Notice of Redemption; Partial Redemption

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

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

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

Source of and Security for Payment

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

Defeasance

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

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

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

Funds

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

Paying Agent/Registrar

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

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

Registration and Transfer

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

Lost, Stolen or Destroyed Bonds

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the TCEQ, if required, necessary to provide and rehabilitate improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – Authority." At elections held within the District on May 11, 2013, and November 2, 2021, the District’s voters authorized the issuance of a total of $40,000,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities. After the issuance of the Bonds, the District will have $25,000,000 of unlimited tax bonds for water, sewer and drainage facilities that will remain authorized, but unissued. At an election held within the District on August 13, 1994, the District's voters authorized the issuance of a total of $13,492,500 of unlimited tax refunding bonds for the purpose of refunding bonds previously issued, of which $13,177,500 remains authorized, but unissued. The District could authorize additional amounts in the future. Depending upon the District's future issuance of tax-supported debt and the development of the District's tax base, increases in the District's annual ad valorem tax rate may be required to provide for the payment of principal of and interest on the District's current bonded indebtedness and any future tax-supported debt issued by the District. The Bond Order imposes no limitation on the amount of additional parity bonds that may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ).

Amendments to the Bond Order

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition or rescission may: (a) extend the time or times of payment of the principal of and interest (or accrual of interest) on the Bonds, or reduce the principal amount thereof or the rate of interest thereon or in any other way modify the terms of payment of the principal of or interest on the Bonds; (b) give preference of any Bond over any other Bond; or (c) extend any waiver of default to subsequent defaults. In addition, a state, consistent with federal law, may in the exercise of its police power make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

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

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

The District may decide to discontinue use of the system of Book-Entry-Only-System transfers through DTC (or a successor securities depository). In that event, securities will be printed and delivered to DTC. The information in this section concerning DTC and DTC's Book-Entry-Only-System has been obtained from sources that the District believes to be reliable; the District, the District's Financial Advisor, and the Underwriter do not take any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

TAX MATTERS

Delivery of the Bonds is subject to an opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of Bonds, pursuant to section 103 of the Internal Revenue Code of 1986 (the "Code"), as amended to the date of issuance of the Bonds, 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, and (2) will not be included in the alternative minimum taxable income of the owners thereof which are individuals. The statues, regulations, rulings, and court decisions on which the opinion is based are subject to change.

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

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

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

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

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

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

Proposed Tax Legislation

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Tax Accounting Treatment of Original Issue Premium Bonds

Some of the Bonds may be offered at an initial offering price which exceeds the stated redemption price payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, broker, and similar persons or entities acting in the capacity of wholesales or underwriters) at such initial offering price, each of the Bonds of such maturity (the “Premium Bond”) will be considered for federal income tax purposes to have “bond premium” equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser’s original basis in such Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition by an owner of Bonds that are not purchased in the initial offering or which are purchased at an amount representing a price other than the initial offering price for the Bonds of the same maturity may be determined according to rules which differ from those described above. Moreover, all prospective purchasers of Bonds should consult their tax advisors with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of Premium Bonds.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds: (a) designated by the District as “qualified tax-exempt obligations;” and (b) issued by or on behalf of 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 represents that the aggregate amount of tax-exempt bonds (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 these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds. Such transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of the Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond

Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that: (i) the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District; (ii) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and (iii) interest on the Bonds will not be subject to the alternative minimum tax on individuals. Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Legal Review

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

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

No Material Adverse Change

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, 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.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions and engineering and other related reports set forth in the Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

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

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to its Financial Advisor.

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM," "USE OF BOND PROCEEDS," and certain engineering matters included in "RISK FACTORS – Hurricane Harvey," "– Winter Storm Uri," "THE DISTRICT – Description and Location," "– Summary of Land Use," and "– Current Status of Development" have been provided by IDS Engineering Group, and have been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

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

Auditor – The financial statements of the District as of September 30, 2020, and for the year then ended, included in this offering document, have been audited by BKD, LLP, independent auditors, as stated in their report appearing herein. See "APPENDIX A."

Continuing Availability of Financial Information

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

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas, 77056.

Certification as to Official Statement

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

Updating of Official Statement

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

MISCELLANEOUS

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

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

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Sagemeadow Utility District

Harris County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2020

BKD

CPAs & Advisors

Sagemeadow Utility District
September 30, 2020

Contents

BKD
CPAs & Advisors

2700 Post Oak Boulevard, Suite 1500 | Houston, TX 77056-5829
713.499.4600 | Fax 713.499.4699 | bkd.com

Independent Auditor's Report

Board of Directors
Sagemeadow Utility District
Harris County, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule listed in the table of contents 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Houston, Texas
March 18, 2021

Sagemeadow Utility District
Management's Discussion and Analysis
September 30, 2020

Overview of the Financial Statements

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

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, sanitary sewer and drainage services. Other activities, such as the provision of recreation facilities and solid waste collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-wide Financial Statements

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

The difference between the District's assets, liabilities, and deferred inflows and outflows of resources is labeled as net position and this difference is similar to the total stockholders' equity presented by a commercial enterprise.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to Financial Statements

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

Sagemeadow Utility District
Management's Discussion and Analysis (Continued)
September 30, 2020

Financial Analysis of the District as a Whole

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

Summary of Net Position

	2020	2019
Current and other assets	$ 8,014,012	$ 9,358,522
Capital assets	8,748,975	7,007,065
Total assets	$ 16,762,987	$ 16,365,587
Deferred outflows of resources	59,131	0
Total assets and deferred outflows of resources	$ 16,822,118	$ 16,365,587
Long-term liabilities	$ 13,641,103	$ 13,636,805
Other liabilities	1,095,061	717,855
Total liabilities	14,736,164	14,354,660
Net position:		
Net investment in capital assets	(1,540,825)	(1,152,326)
Restricted	390,848	257,738
Unrestricted	3,235,931	2,905,515
Total net position	$ 2,085,954	$ 2,010,927

The total net position of the District increased by $75,027, or approximately 4 percent. The majority of the increase in net position is related to tax revenues intended to pay on the District's bonded indebtedness, which is included in long-term liabilities in the government-wide financial statements. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Changes in Net Position

	2020	2019
Revenues:		
Property taxes	$ 1,511,619	$ 1,270,680
Charges for services	2,307,695	2,180,620
Other revenues	166,595	231,306
Total revenues	3,985,909	3,682,606

Summary of Changes in Net Position (Continued)

	2020	2019
Expenses:		
Services	$ 2,874,047	$ 2,990,925
Conveyance of capital assets	234,415	-
Depreciation	203,988	196,881
Debt service	598,432	604,557
Total expenses	3,910,882	3,792,363
Change in net position	75,027	(109,757)
Net position, beginning of year	2,010,927	2,120,684
Net position, end of year	$ 2,085,954	$ 2,010,927

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2020, were $7,012,461, a decrease of $1,672,790 from the prior year.

The general fund's fund balance increased by $413,931, primarily due to property taxes and service revenues exceeding service operations expenditures.

The debt service fund's fund balance decreased by $97,029 because bond principal and interest requirements and contracted services expenditures exceeded property tax revenues generated.

The capital projects fund's fund balance decreased by $1,989,692, primarily due to capital outlay expenditures exceeding investment income.

General Fund Budgetary Highlights

There were several differences between the final budgetary amounts and actual amounts. The major differences between budget and actual were due to water service revenue being greater than anticipated, as well as penalty and interest revenue and repairs and maintenance expenditures being less than anticipated. In addition, capital outlay expenditures incurred were not budgeted. The fund balance as of September 30, 2020, was expected to be $3,068,358 and the actual end-of-year fund balance was $3,294,001.

Capital Assets and Related Debt

Capital Assets

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

Capital Assets (Net of Accumulated Depreciation)

	2020	2019
Land and improvements	$ 289,657	$ 289,657
Construction in progress	1,997,683	328,893
Water facilities	5,672,055	5,823,519
Wastewater facilities	774,195	548,292
Buildings and improvements	15,385	16,704
Total capital assets	$ 8,748,975	$ 7,007,065

During the current year, additions to capital assets were as follows:

Construction in process related to sanitary sewer rehabilitation, Phase 1	$ 1,934,760
Sanitary sewer rehabilitation of Sagedowne Lane and Sagerock Drive	4,349
Booster pump No. 2 motor replacement	6,789
Total additions to capital assets	$ 1,945,898

Debt

The changes in the debt position of the District during the fiscal year ended September 30, 2020, are summarized as follows:

Long-term debt payable, beginning of year	$ 13,636,805
Increases in long-term debt	4,520,246
Decreases in long-term debt	(4,515,948)
Long-term debt payable, end of year	$ 13,641,103

During the fiscal year ended September 30, 2020, the District issued $4,505,000 in unlimited tax refunding bonds to refund $4,320,000 of outstanding Series 2013 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately $510,230 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $409,221.

At September 30, 2020, the District had $5,700,000 of unlimited tax bonds authorized, but unissued, for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District.

The District's bonds carry an underlying rating of "A-" from Standard & Poor's. The Series 2013 and Series 2015 bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Assured Guaranty Municipal Corp. The Series 2019 and Series 2020 refunding bonds carry a "AA" rating from Standard & Poor's by virtue of bond insurance issued by Build America Mutual Assurance Company.

Other Relevant Factors

Relationship to the City of Houston

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Houston (the City), the District must conform to the City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City without the District's consent, except as set forth below.

Strategic Partnership Agreement

Effective April 4, 2007, the District entered into a Strategic Partnership Agreement with the City, which annexed certain portions of the District into the City for "limited purposes," as described therein. Under the terms of the Strategic Partnership Agreement, the City has agreed it will not annex the District as a whole for full purposes for 30 years.

Subsequent Event

On January 21, 2021, the District issued $4,380,000 in unlimited tax refunding bonds to refund $4,250,000 of outstanding Series 2015 bonds. The District refunded the bonds to reduce total debt service payments over future years by $876,365 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $685,423.

Sagemeadow Utility District

Statement of Net Position and Governmental Funds Balance Sheet

September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 164,723	$ 54,120	$ 100	$ 218,943	$ -	$ 218,943
Certificates of deposit	1,720,000	-	-	1,720,000	-	1,720,000
Short-term investments	1,479,770	178,384	4,031,367	5,689,521	-	5,689,521
Receivables:						
Property taxes	25,196	15,306	-	40,502	-	40,502
Service accounts	270,680	-	-	270,680	-	270,680
Accrued penalty and interest	-	-	-	-	14,501	14,501
Accrued interest	11,081	-	-	11,081	-	11,081
Due from others	48,515	-	-	48,515	-	48,515
Interfund receivable	36,567	-	-	36,567	(36,567)	-
Prepaid expenditures	269	-	-	269	-	269
Capital assets (net of accumulated depreciation):						
Land and improvements	-	-	-	-	289,657	289,657
Construction in progress	-	-	-	-	1,997,683	1,997,683
Infrastructure	-	-	-	-	6,461,635	6,461,635
Total assets	3,756,801	247,810	4,031,467	8,036,078	8,726,909	16,762,987
Deferred Outflows of Resources						
Deferred amount on debt refundings	0	0	0	0	59,131	59,131
Total assets and deferred outflows of resources	$ 3,756,801	$ 247,810	$ 4,031,467	$ 8,036,078	$ 8,786,040	$ 16,822,118

Sagemeadow Utility District

Statement of Net Position and Governmental Funds Balance Sheet (Continued)

September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Liabilities						
Accounts payable	$ 221,669	$ 2,196	$ 323,485	$ 547,350	$ -	$ 547,350
Accrued interest payable	-	-	-	-	65,247	65,247
Retainage payable	-	-	183,263	183,263	-	183,263
Customer deposits	181,993	-	-	181,993	-	181,993
Due to others	33,942	-	-	33,942	83,266	117,208
Interfund payable	-	36,567	-	36,567	(36,567)	-
Long-term liabilities:						
Due within one year	-	-	-	-	380,000	380,000
Due after one year	-	-	-	-	13,261,103	13,261,103
Total liabilities	437,604	38,763	506,748	983,115	13,753,049	14,736,164
Deferred Inflows of Resources						
Deferred property tax revenues	25,196	15,306	0	40,502	(40,502)	0
Fund Balances/Net Position						
Fund balances:						
Nonspendable, prepaid expenditures	269	-	-	269	(269)	-
Restricted for:						
Unlimited tax bonds	-	193,741	-	193,741	(193,741)	-
Water, sewer and drainage	-	-	3,524,719	3,524,719	(3,524,719)	-
Unassigned	3,293,732	-	-	3,293,732	(3,293,732)	-
Total fund balances	3,294,001	193,741	3,524,719	7,012,461	(7,012,461)	0
Total liabilities, deferred inflows of resources and fund balances	$ 3,756,801	$ 247,810	$ 4,031,467	$ 8,036,078		
Net position:						
Net investment in capital assets					(1,540,825)	(1,540,825)
Restricted for debt service					158,301	158,301
Restricted for capital projects					232,547	232,547
Unrestricted					3,235,931	3,235,931
Total net position					$ 2,085,954	$ 2,085,954

Sagemeadow Utility District

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

Year Ended September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 881,510	$ 628,027	$ -	$ 1,509,537	$ 2,082	$ 1,511,619
Water service	1,155,516	-	-	1,155,516	-	1,155,516
Sewer service	879,324	-	-	879,324	-	879,324
Security fee	272,855	-	-	272,855	-	272,855
Penalty and interest	31,129	14,509	-	45,638	995	46,633
Tap connection and inspection fees	5,320	-	-	5,320	-	5,320
Investment income	49,825	4,200	60,617	114,642	-	114,642
Total revenues	3,275,479	646,736	60,617	3,982,832	3,077	3,985,909
Expenditures/Expenses						
Service operations:						
Purchased services	837,703	-	-	837,703	-	837,703
Professional fees	164,997	5,742	-	170,739	-	170,739
Contracted services	789,387	47,465	-	836,852	837	837,689
Solid waste	324,758	-	-	324,758	-	324,758
Utilities	34,861	-	-	34,861	-	34,861
Repairs and maintenance	433,296	-	-	433,296	119,088	552,384
Other expenditures	107,149	8,718	46	115,913	-	115,913
Capital outlay	166,709	-	2,050,263	2,216,972	(2,216,972)	-
Conveyance of capital assets	-	-	-	-	234,415	234,415
Depreciation	-	-	-	-	203,988	203,988
Debt service:						
Principal retirement	-	250,000	-	250,000	(250,000)	-
Interest and fees	-	423,840	-	423,840	(12,896)	410,944
Debt issuance costs	2,688	184,800	-	187,488	-	187,488
Debt defeasance	-	8,000	-	8,000	(8,000)	-
Total expenditures/expenses	2,861,548	928,565	2,050,309	5,840,422	(1,929,540)	3,910,882
Excess (Deficiency) of Revenues Over Expenditures	413,931	(281,829)	(1,989,692)	(1,857,590)	1,932,617	

Sagemeadow Utility District

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances (Continued)

Year Ended September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Other Financing Sources (Uses)						
General obligation bonds issued	$ -	$ 4,505,000	$ -	$ 4,505,000	$ (4,505,000)	
Premium on debt issued	-	15,246	-	15,246	(15,246)	
Deposit with escrow agent	-	(4,335,446)	-	(4,335,446)	4,335,446	
Total other financing sources	0	184,800	0	184,800	(184,800)	
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	413,931	(97,029)	(1,989,692)	(1,672,790)	1,672,790	
Change in Net Position					75,027	$ 75,027
Fund Balances/Net Position						
Beginning of year	2,880,070	290,770	5,514,411	8,685,251	-	2,010,927
End of year	$ 3,294,001	$ 193,741	$ 3,524,719	$ 7,012,461	$ 0	$ 2,085,954

Sagemeadow Utility District
Notes to Financial Statements
September 30, 2020

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

Sagemeadow Utility District (the District) was created by an order of the 62nd Legislature of Texas, Regular Session, 1971, and operates under the provisions of the Texas Water Code, Chapter 54. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the Commission). 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 is governed by a Board of Directors (the Board) consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. The Board sets the policies of the District. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments, as defined by the Governmental Accounting Standards Board. The following is a summary of the significant accounting and reporting policies of the District:

Reporting Entity

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

Government-wide and Fund Financial Statements

In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program, such as the provision of water, wastewater, drainage and other related services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented with a column for adjustments to convert to the government-wide financial statements.

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

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

The District presents the following major governmental funds:

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

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

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

Fund Balances – Governmental Funds

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

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Deferred Outflows and Inflows of Resources

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

Interfund Transactions

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

Pension Costs

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

Use of Estimates

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

Investments and Investment Income

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

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

Property Taxes

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

In the governmental funds, property taxes are initially recorded as receivables and deferred inflows of resources at the time the tax levy is billed. Revenues recognized during the fiscal year ended September 30, 2020, include collections during the current period or within 60 days of year-end related to the 2019 and prior years' tax levies.

In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. For the District's fiscal year ended September 30, 2020, the 2019 tax levy is considered earned during the current fiscal year. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of $5,000 or more and an estimated useful life of two years or more. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Water production and distribution facilities	10-45
Wastewater collection and treatment facilities	10-45
Buildings and improvements	40

Deferred Amount on Debt Refundings

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

Debt Issuance Costs

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

Long-term Obligations

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

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

Net Position/Fund Balances

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	$	8,748,975
Property tax revenue recognition and the related reduction of deferred inflows of resources are subject to availability of funds in the fund financial statements.		40,502
Penalty and interest on delinquent taxes is not receivable in the current period and is not reported in the funds.		14,501
Deferred amount on debt refundings for governmental activities are not financial resources and are not reported in the funds.		59,131
Amount due to others is not payable in the current period and is not reported in the funds.		(83,266)

Accrued interest on long-term liabilities is not payable with current financial resources and is not reported in the funds.	$	(65,247)
Long-term debt obligations are not due and payable in the current period and are not reported in the funds.		(13,641,103)
Adjustment to fund balances to arrive at net position.	$	(4,926,507)

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

Change in fund balances.	$	(1,672,790)
Governmental funds report capital outlays as expenditures. However, for government-wide financial statements, the cost of capitalized assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation, conveyance of capital assets and noncapitalized costs in the current period.		1,658,644
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(15,246)
Governmental funds report proceeds from sale of bonds and bond anticipation notes because they provide current financial resources to governmental funds. Principal payments on debt are recorded as expenditures. None of these transactions, however, have any effect on net position.		88,446
Revenues that do not provide current financial resources are not reported as revenues for the funds but are reported as revenues in the statement of activities.		3,077
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		12,896
Change in net position of governmental activities.	$	75,027

Note 2: Deposits, Investments and Investment Income

Deposits

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

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

At September 30, 2020, none of the District's bank balances were exposed to custodial credit risk.

Investments

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

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

The District invests in Texas CLASS, an external investment pool that is not registered with the Securities and Exchange Commission. A Board of Trustees, elected by the participants, has oversight of Texas CLASS. The District's investments may be redeemed at any time. Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques and limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations.

Sagemeadow Utility District

Notes to Financial Statements

September 30, 2020

At September 30, 2020, the District had the following investments and maturities:

		Maturities in Years			
Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Texas CLASS	$ 5,689,521	$ 5,689,521	$ 0	$ 0	$ 0

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

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the District's investments in Texas CLASS were rated "AAAm" by Standard & Poor's.

Summary of Carrying Values

The carrying values of deposits and investments shown previously are included in the balance sheet at September 30, 2020, as follows:

Carrying value:	
Deposits	$ 1,938,943
Investments	5,689,521
Total	$ 7,628,464

Included in the following statement of net position captions:

Cash	$ 218,943
Certificates of deposit	1,720,000
Short-term investments	5,689,521
Total	$ 7,628,464

Investment Income

Investment income of $114,642 for the year ended September 30, 2020, consisted of interest income.

Fair Value Measurements

The District has the following recurring fair value measurements as of September 30, 2020:

- Pooled investments of $5,689,521 are valued at fair value per share of the pool's underlying portfolio.

Note 3: Capital Assets

A summary of changes in capital assets for the year ended September 30, 2020, is presented as follows:

Governmental Activities	Balances, Beginning of Year	Additions	Reclassi- fications	Balances, End of Year
Capital assets, non-depreciable:				
Land and improvements	$ 289,657	$ -	$ -	$ 289,657
Construction in progress	328,893	1,934,760	(265,970)	1,997,683
Total capital assets, non-depreciable	618,550	1,934,760	(265,970)	2,287,340
Capital assets, depreciable:				
Water production and distribution facilities	7,526,240	6,789	-	7,533,029
Wastewater collection and treatment facilities	1,700,751	4,349	265,970	1,971,070
Buildings and improvements	177,785	-	-	177,785
Total capital assets, depreciable	9,404,776	11,138	265,970	9,681,884
Less accumulated depreciation:				
Water production and distribution facilities	(1,702,721)	(158,253)	-	(1,860,974)
Wastewater collection and treatment facilities	(1,152,459)	(44,416)	-	(1,196,875)
Buildings and improvements	(161,081)	(1,319)	-	(162,400)
Total accumulated depreciation	(3,016,261)	(203,988)	0	(3,220,249)
Total governmental activities, net	$ 7,007,065	$ 1,741,910	$ 0	$ 8,748,975

Sagemeadow Utility District

Notes to Financial Statements

September 30, 2020

Note 4: Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2020, were as follows:

Governmental Activities	Balances, Beginning of Year	Increases	Decreases	Balances, End of Year	Amounts Due in One Year
Bonds payable:					
General obligation bonds	$ 13,895,000	$ 4,505,000	$ 4,570,000	$ 13,830,000	$ 380,000
Add premium on bonds	-	15,246	349	14,897	-
Less discounts on bonds	258,195	-	54,401	203,794	-
Total governmental activities long-term liabilities	$ 13,636,805	$ 4,520,246	$ 4,515,948	$ 13,641,103	$ 380,000

General Obligation Bonds

	Series 2013	Series 2015
Amounts outstanding, September 30, 2020	$325,000	$4,500,000
Interest rates	2.00% to 2.15%	3.00% to 5.00%
Maturity dates, serially beginning/ending	February 1, 2021/2022	February 1, 2021/2043
Interest payment dates	February 1/ August 1	February 1/ August 1
Callable dates*	February 1, 2019	February 1, 2021

	Series 2019	Refunding Series 2020
Amounts outstanding, September 30, 2020	$4,500,000	$4,505,000
Interest rates	2.000% to 3.125%	2.000% to 2.125%
Maturity dates, serially beginning/ending	February 1, 2021/2048	February 1, 2021/2039
Interest payment dates	February 1/ August 1	February 1/ August 1
Callable dates*	February 1, 2024	February 1, 2025

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

Annual Debt Service Requirements

The following schedule shows the annual debt service requirements to pay principal and interest on general obligation bonds outstanding at September 30, 2020:

Year	Principal	Interest	Total
2021	$ 380,000	$ 385,432	$ 765,432
2022	395,000	374,300	769,300
2023	400,000	364,219	764,219
2024	450,000	353,469	803,469
2025	470,000	342,269	812,269
2026-2030	2,535,000	1,540,905	4,075,905
2031-2035	3,055,000	1,184,031	4,239,031
2036-2040	3,395,000	710,318	4,105,318
2041-2045	1,975,000	262,250	2,237,250
2046-2048	775,000	37,111	812,111
Total	$ 13,830,000	$ 5,554,304	$ 19,384,304

The bonds are payable from the proceeds of an ad valorem tax levied upon all property within the District subject to taxation, without limitation as to rate or amount, and are further payable from and secured by a lien on and a pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

Bonds voted	$ 27,050,000
Bonds sold	21,350,000
Refunding bonds voted	13,492,500
Refunding bonds sold	185,000

Note 5: Significant Bond Resolutions and Commission Requirements

A. The Bond Resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due. During the year ended September 30, 2020, the District levied an ad valorem debt service tax at the rate of $0.2000 per $100 of assessed valuation, which resulted in a tax levy of $632,569 on the taxable valuation of $316,284,826 for the 2019 tax year. The interest and principal requirements paid from the tax revenues and available resources were $684,087.

B. In accordance with the Series 2019 Bond Resolution, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest during the construction period. This bond interest reserve is reduced as the interest is paid. The balance of $134,979 in the bond interest reserve was fully utilized in the current year.

Note 6: Maintenance and Contract Taxes

At an election held August 13, 1983, voters authorized a maintenance tax not to exceed $0.20 per $100 valuation on all property within the District subject to taxation, and at an election held May 11, 2013, voters authorized a maintenance tax not to exceed $0.50 per $100 valuation on all property within the District subject to taxation. During the year ended September 30, 2020, the District levied an ad valorem maintenance tax at the rate of $0.1800 per $100 of assessed valuation, which resulted in a tax levy of $569,313 on the taxable valuation of $316,284,826 for the 2019 tax year. The maintenance tax is being used by the general fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

At an election held on November 25, 1997, voters authorized the District to levy a contract tax for firefighting purposes. During the year ended September 30, 2020, the District levied an ad valorem contract tax at the rate of $0.1000 per $100 of assessed valuation, which resulted in a tax levy of $316,285 on the taxable valuation of $316,284,826 for the 2019 tax year. The contract tax is being used to finance the District's obligations arising from its contract with the volunteer fire department.

Note 7: Waste Disposal Contract

The District has a waste disposal contract with the City of Houston (the City), which is automatically renewed unless either party gives two years' written notice of termination. The District incurred costs of $255,827 for the year ended September 30, 2020, related to the contract.

Note 8: Surface Water Supply Contract

On December 3, 1990, the District and Kirkmont Municipal Utility District (Kirkmont) entered into an agreement to form the Regional Water Advisory Committee. Under the terms of the agreement, the districts share the costs of the purchased treated surface water from the City and have constructed connection facilities which permit the conveyance of surface water to the water supply systems of the districts. Construction costs of the connection facilities have been shared equally between the District and Kirkmont. The Regional Water Advisory Committee is composed of members from the Boards of both the District and Kirkmont.

During the current year, the District incurred costs of $629,526 for purchased water from the City. In addition, the District received $47,650 from Kirkmont for its share of current year costs.

Note 9: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District participates along with other entities in the Texas Municipal League's Intergovernmental Risk Pool (the Pool). The Pool purchases commercial insurance at group rates for participants in the Pool. The District has no additional risk or responsibility to the Pool, outside of payment of insurance premiums. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts in the past three fiscal years.

Note 10: Strategic Partnership Agreement

Effective April 4, 2007, the District and the City entered into a Strategic Partnership Agreement (the Agreement) under which the City annexed a tract of land (the tract) within the boundaries of the District for limited purposes. The District continues to exercise all powers and functions of a municipal utility district as provided by law. As consideration for the District providing services as detailed in the Agreement, the City agrees to remit one-half of all sales and use tax revenues generated within the boundaries of the tract. As consideration for the sales tax payments by the City, the District agrees to continue to provide and develop water, sewer and drainage services within the District in lieu of full purpose annexation. The City agrees it will not annex the District for full purposes or commence any action to annex the District during the term of the Agreement, which is 30 years.

Note 11: Refunding Bonds

During the fiscal year ended September 30, 2020, the District issued $4,505,000 in unlimited tax refunding bonds to refund $4,320,000 of outstanding Series 2013 bonds. The District refunded the bonds to reduce total debt service payments over future years by approximately $510,230 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately $409,221.

Note 12: Subsequent Event

On January 21, 2021, the District issued $4,380,000 in unlimited tax refunding bonds to refund $4,250,000 of outstanding Series 2015 bonds. The District refunded the bonds to reduce total debt service payments over future years by $876,365 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $685,423.

Note 13: Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position and results of operations of the District. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Required Supplementary Information

Sagemeadow Utility District

Budgetary Comparison Schedule – General Fund

Year Ended September 30, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 855,430	$ 881,510	$ 26,080
Water service	1,083,294	1,155,516	72,222
Sewer service	865,359	879,324	13,965
Security fee	279,751	272,855	(6,896)
Penalty and interest	62,950	31,129	(31,821)
Tap connection and inspection fees	8,607	5,320	(3,287)
Investment income	57,225	49,825	(7,400)
Total revenues	3,212,616	3,275,479	62,863
Expenditures			
Service operations:			
Purchased services	857,598	837,703	19,895
Professional fees	139,200	164,997	(25,797)
Contracted services	773,914	789,387	(15,473)
Solid waste	327,200	324,758	2,442
Utilities	34,500	34,861	(361)
Repairs and maintenance	776,550	433,296	343,254
Other expenditures	115,366	107,149	8,217
Capital outlay	-	166,709	(166,709)
Debt issuance costs	-	2,688	(2,688)
Total expenditures	3,024,328	2,861,548	162,780
Excess of Revenues Over Expenditures	188,288	413,931	225,643
Fund Balance, Beginning of Year	2,880,070	2,880,070	-
Fund Balance, End of Year	$ 3,068,358	$ 3,294,001	$ 225,643

Sagemeadow Utility District

Notes to Required Supplementary Information

September 30, 2020

Budgets and Budgetary Accounting

An annual operating budget is prepared for the general fund by the District's consultants. The budget reflects resources expected to be received during the year and expenditures expected to be incurred. The Board of Directors is required to adopt the budget prior to the start of its fiscal year. The budget is not a spending limitation (a legally restricted appropriation). The original budget of the general fund was not amended during fiscal 2020.

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

Other Information

Sagemeadow Utility District
Other Schedules Included Within This Report
September 30, 2020

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

[X] Notes Required by the Water District Accounting Manual
See "Notes to Financial Statements," Pages 13-26

[X] Schedule of Services and Rates

[X] Schedule of General Fund Expenditures

[X] Schedule of Temporary Investments

[X] Analysis of Taxes Levied and Receivable

[X] Schedule of Long-term Debt Service Requirements by Years

[X] Changes in Long-term Bonded Debt

[X] Comparative Schedule of Revenues and Expenditures – General Fund and Debt Service Fund – Five Years

[X] Board Members, Key Personnel and Consultants

Sagemeadow Utility District

Schedule of Services and Rates

Year Ended September 30, 2020

1. Services provided by the District:

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

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

___ Other ___

2. Retail service providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water:	$ 28.60	3,000	N	$ 4.62	3,001	to	8,000
				$ 5.53	8,001	to	12,000
				$ 5.73	12,001	to	No Limit
Wastewater:	$ 29.88	4,000	N	$ 1.67	4,001	to	No Limit
Regional water fee:	$ 0.00						

Does the District employ winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage (including fees): Water $ 62.76 Wastewater $ 39.90

b. Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	-	-	x1.0	-
≤ 3/4"	2,140	2,129	x1.0	2,129
1"	15	15	x2.5	38
1 1/2"	20	20	x5.0	100
2"	18	17	x8.0	136
3"	-	-	x15.0	-
4"	-	-	x25.0	-
6"	-	-	x50.0	-
8"	-	-	x80.0	-
10"	-	-	x115.0	-
Total water	2,193	2,181		2,403
Total wastewater	2,154	2,142	x1.0	2,142

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into the system:	238,696
Gallons billed to customers:	226,430
Water accountability ratio (gallons billed/gallons pumped):	94.86%

*"ESFC" means equivalent single-family connections

Sagemeadow Utility District
Schedule of General Fund Expenditures
Year Ended September 30, 2020

Personnel (including benefits)		$ -
Professional Fees		
Auditing	$ 18,700	
Legal	91,004	
Engineering	54,343	
Financial advisor	950	164,997
Purchased Services for Resale		
Bulk water and wastewater service purchases		837,703
Regional Water Fee		-
Contracted Services		
Bookkeeping	26,324	
General manager	-	
Appraisal district	-	
Tax collector	-	
Security	266,741	
Other contracted services	211,289	504,354
Utilities		34,861
Repairs and Maintenance		433,296
Administrative Expenditures		
Directors' fees	16,350	
Office supplies	20,398	
Insurance	19,481	
Other administrative expenditures	50,920	107,149
Capital Outlay		
Capitalized assets	6,789	
Expenditures not capitalized	159,920	166,709
Tap Connection Expenditures		-
Solid Waste Disposal		324,758
Fire Fighting		285,033
Parks and Recreation		-
Other Expenditures		2,688
Total expenditures		$ 2,861,548

Sagemeadow Utility District

Schedule of Temporary Investments

September 30, 2020

	Interest Rate	Maturity Date	Face Amount	Accrued Interest Receivable
General Fund				
Certificates of Deposit				
No. 91300011875647	2.05%	02/10/21	$ 240,000	$ 3,127
No. 12395	0.60%	08/13/21	200,000	158
No. 313049	1.78%	02/28/21	200,000	2,087
No. 4191200	0.60%	06/12/21	200,000	365
No. 2000000155	0.70%	04/06/21	240,000	824
No. 3216000458	1.80%	10/10/20	200,000	3,501
No. 6000037090	0.75%	07/11/21	200,000	333
No. 9009004495	0.75%	05/14/21	240,000	686
Texas CLASS	0.22%	Demand	1,479,770	-
			3,199,770	11,081
Debt Service Fund				
Texas CLASS	0.22%	Demand	178,384	0
Capital Projects Fund				
Texas CLASS	0.22%	Demand	8,436	-
Texas CLASS	0.22%	Demand	4,022,931	-
			4,031,367	0
Totals			$ 7,409,521	$ 11,081

Sagemeadow Utility District

Analysis of Taxes Levied and Receivable

Year Ended September 30, 2020

	Maintenance Taxes	Contract Taxes	Debt Service Taxes
Receivable, Beginning of Year	$ 16,176	$ 9,269	$ 12,975
Additions and corrections to prior years' taxes	(2,736)	(1,601)	(2,211)
Adjusted receivable, beginning of year	13,440	7,668	10,764
2019 Original Tax Levy	503,957	279,976	559,952
Additions and corrections	65,356	36,309	72,617
Adjusted tax levy	569,313	316,285	632,569
Total to be accounted for	582,753	323,953	643,333
Tax collections: Current year	(561,625)	(312,014)	(624,028)
Prior years	(4,978)	(2,893)	(3,999)
Receivable, end of year	$ 16,150	$ 9,046	$ 15,306
Receivable, by Years			
2019	$ 7,688	$ 4,271	$ 8,541
2018	3,723	2,156	2,939
2017	1,373	839	1,221
2016	755	461	713
2015	1,114	557	861
2014	470	225	368
2013	353	169	276
2012	228	125	205
2011	254	139	100
2009	192	104	82
Receivable, end of year	$ 16,150	$ 9,046	$ 15,306

Sagemeadow Utility District
Analysis of Taxes Levied and Receivable (Continued)
Year Ended September 30, 2020

	2019	2018	2017	2016
Property Valuations				
Land	$ 84,662,496	$ 75,505,504	$ 75,464,854	$ 73,205,483
Improvements	328,844,255	295,000,086	304,213,993	271,293,228
Personal property	5,875,611	5,385,036	4,884,231	5,205,939
Exemptions	(103,097,536)	(92,276,653)	(102,682,021)	(92,572,125)
Total property valuations	$ 316,284,826	$ 283,613,973	$ 281,881,057	$ 257,132,525
Tax Rates per $100 Valuation				
Debt service tax rates	$ 0.2000	$ 0.1500	$ 0.1600	$ 0.1700
Contract tax rates	0.1000	0.1100	0.1100	0.1100
Maintenance tax rates*	0.1800	0.1900	0.1800	0.1800
Total tax rates per $100 valuation	$ 0.4800	$ 0.4500	$ 0.4500	$ 0.4600
Tax Levy	$ 1,518,167	$ 1,276,264	$ 1,268,465	$ 1,182,809
Percent of Taxes Collected to Taxes Levied**	99%	99%	99%	99%

*Maximum tax rate approved by voters: $0.50 on May 11, 2013
**Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Sagemeadow Utility District

Schedule of Long-term Debt Service Requirements by Years

September 30, 2020

	Series 2013		
Due During Fiscal Years Ending September 30	Principal Due February 1	Interest Due February 1, August 1	Total
2021	$ 150,000	$ 5,263	$ 155,263
2022	175,000	1,881	176,881
Totals	$ 325,000	$ 7,144	$ 332,144

Sagemeadow Utility District

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2020

	Series 2015		
Due During Fiscal Years Ending September 30	Principal Due February 1	Interest Due February 1, August 1	Total
2021	$ 125,000	$ 159,250	$ 284,250
2022	125,000	154,250	279,250
2023	125,000	150,500	275,500
2024	150,000	146,375	296,375
2025	150,000	141,875	291,875
2026	150,000	137,375	287,375
2027	150,000	132,875	282,875
2028	150,000	128,375	278,375
2029	175,000	123,500	298,500
2030	175,000	118,031	293,031
2031	175,000	112,344	287,344
2032	175,000	106,438	281,438
2033	200,000	99,875	299,875
2034	200,000	92,750	292,750
2035	200,000	85,500	285,500
2036	225,000	77,656	302,656
2037	225,000	69,219	294,219
2038	250,000	60,000	310,000
2039	250,000	50,000	300,000
2040	250,000	40,000	290,000
2041	275,000	29,500	304,500
2042	300,000	18,000	318,000
2043	300,000	6,000	306,000
Totals	$ 4,500,000	$ 2,239,688	$ 6,739,688

Sagemeadow Utility District

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2020

	Series 2019		
Due During Fiscal Years Ending September 30	Principal Due February 1	Interest Due February 1, August 1	Total
2021	$ 75,000	$ 129,500	$ 204,500
2022	75,000	127,250	202,250
2023	75,000	125,000	200,000
2024	100,000	122,375	222,375
2025	100,000	119,875	219,875
2026	100,000	117,875	217,875
2027	100,000	115,875	215,875
2028	125,000	113,547	238,547
2029	125,000	110,813	235,813
2030	125,000	107,844	232,844
2031	125,000	104,406	229,406
2032	150,000	100,281	250,281
2033	150,000	95,781	245,781
2034	150,000	91,281	241,281
2035	150,000	86,781	236,781
2036	175,000	81,906	256,906
2037	175,000	76,656	251,656
2038	175,000	71,406	246,406
2039	175,000	66,156	241,156
2040	200,000	60,531	260,531
2041	200,000	54,531	254,531
2042	200,000	48,531	248,531
2043	225,000	42,156	267,156
2044	225,000	35,407	260,407
2045	250,000	28,125	278,125
2046	250,000	20,314	270,314
2047	250,000	12,500	262,500
2048	275,000	4,297	279,297
Totals	$ 4,500,000	$ 2,271,000	$ 6,771,000

Sagemeadow Utility District

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2020

	Refunding Series 2020		
Due During Fiscal Years Ending September 30	**Principal Due February 1**	**Interest Due February 1, August 1**	**Total**
2021	$ 30,000	$ 91,419	$ 121,419
2022	20,000	90,919	110,919
2023	200,000	88,719	288,719
2024	200,000	84,719	284,719
2025	220,000	80,519	300,519
2026	220,000	76,119	296,119
2027	220,000	71,719	291,719
2028	240,000	67,119	307,119
2029	240,000	62,319	302,319
2030	240,000	57,519	297,519
2031	260,000	52,519	312,519
2032	260,000	47,319	307,319
2033	280,000	41,919	321,919
2034	280,000	36,319	316,319
2035	300,000	30,518	330,518
2036	295,000	24,383	319,383
2037	315,000	17,903	332,903
2038	345,000	10,890	355,890
2039	340,000	3,612	343,612
Totals	$ 4,505,000	$ 1,036,472	$ 5,541,472

Sagemeadow Utility District

Schedule of Long-term Debt Service Requirements by Years (Continued)

September 30, 2020

Due During Fiscal Years Ending September 30	Annual Requirements For All Series: Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	$ 380,000	$ 385,432	$ 765,432
2022	395,000	374,300	769,300
2023	400,000	364,219	764,219
2024	450,000	353,469	803,469
2025	470,000	342,269	812,269
2026	470,000	331,369	801,369
2027	470,000	320,469	790,469
2028	515,000	309,041	824,041
2029	540,000	296,632	836,632
2030	540,000	283,394	823,394
2031	560,000	269,269	829,269
2032	585,000	254,038	839,038
2033	630,000	237,575	867,575
2034	630,000	220,350	850,350
2035	650,000	202,799	852,799
2036	695,000	183,945	878,945
2037	715,000	163,778	878,778
2038	770,000	142,296	912,296
2039	765,000	119,768	884,768
2040	450,000	100,531	550,531
2041	475,000	84,031	559,031
2042	500,000	66,531	566,531
2043	525,000	48,156	573,156
2044	225,000	35,407	260,407
2045	250,000	28,125	278,125
2046	250,000	20,314	270,314
2047	250,000	12,500	262,500
2048	275,000	4,297	279,297
Totals	$ 13,830,000	$ 5,554,304	$ 19,384,304

Sagemeadow Utility District

Changes in Long-term Bonded Debt

Year Ended September 30, 2020

	Bond Issues				
	Series 2013	Series 2015	Series 2019	Refunding Series 2020	Totals
Interest rates	2.00% to 2.15%	3.00% to 5.00%	2.000% to 3.125%	2.000% to 2.125%	
Dates interest payable	February 1/ August 1	February 1/ August 1	February 1/ August 1	February 1/ August 1	
Maturity dates	February 1, 2021/2022	February 1, 2021/2043	February 1, 2021/2048	February 1, 2021/2039	
Bonds outstanding, beginning of current year	$ 4,795,000	$ 4,600,000	$ 4,500,000	$ -	$ 13,895,000
Bonds sold during current year	-	-	-	4,505,000	4,505,000
Bonds refunded during current year	4,320,000	-	-	-	4,320,000
Retirements, principal	150,000	100,000	-	-	250,000
Bonds outstanding, end of current year	$ 325,000	$ 4,500,000	$ 4,500,000	$ 4,505,000	$ 13,830,000
Interest paid during current year	$ 78,600	$ 164,875	$ 152,396	$ 38,216	$ 434,087

Paying agent's name and address:

Series 2013 - Amegy Bank N.A., Houston, Texas
Series 2015 - Amegy Bank N.A., Houston, Texas
Series 2019 - Bank of New York Mellon Trust Company, N.A., Dallas, Texas
Series 2020 - Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond authority:

	Tax Bonds	Other Bonds	Refunding Bonds
Amount authorized by voters	$ 27,050,000	0	$ 13,492,500
Amount issued	$ 21,350,000	0	$ 185,000
Remaining to be issued	$ 5,700,000	0	$ 13,307,500

Debt service fund cash and temporary investment balances as of September 30, 2020: $ 232,504

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 692,297

Sagemeadow Utility District

Comparative Schedule of Revenues and Expenditures – General Fund

Five Years Ended September 30,

	Amounts				
	2020	2019	2018	2017	2016
General Fund					
Revenues					
Property taxes	$ 881,510	$ 851,543	$ 817,619	$ 736,956	$ 800,050
Water service	1,155,516	1,064,314	1,058,003	1,029,711	987,472
Sewer service	879,324	844,633	857,781	855,808	816,244
Security fee	272,855	271,673	269,281	202,947	182,032
Penalty and interest	31,129	60,894	62,065	66,452	75,869
Tap connection and inspection fees	5,320	8,060	11,824	9,572	7,750
Investment income	49,825	60,859	33,919	15,736	7,087
Total revenues	3,275,479	3,161,976	3,110,492	2,917,182	2,876,504
Expenditures					
Service operations:					
Purchased services	837,703	827,863	775,393	775,556	790,629
Professional fees	164,997	138,522	131,660	116,494	113,103
Contracted services	789,387	778,127	774,013	703,259	647,817
Solid waste	324,758	324,090	346,641	369,793	370,556
Utilities	34,861	32,031	32,407	33,711	39,944
Repairs and maintenance	433,296	670,981	588,149	373,040	431,460
Other expenditures	107,149	104,838	101,958	102,455	98,978
Capital outlay	166,709	64,351	65,665	-	-
Debt issuance costs	2,688	-	13,260	-	-
Total expenditures	2,861,548	2,940,803	2,829,146	2,474,308	2,492,487
Excess of Revenues Over Expenditures	413,931	221,173	281,346	442,874	384,017
Other Financing Sources					
Interfund transfers in	-	46,672	-	-	-
Excess of Revenues and Transfers In Over Expenditures and Transfers Out	413,931	267,845	281,346	442,874	384,017
Fund Balance, Beginning of Year	2,880,070	2,612,225	2,330,879	1,888,005	1,503,988
Fund Balance, End of Year	$ 3,294,001	$ 2,880,070	$ 2,612,225	$ 2,330,879	$ 1,888,005
Total Active Retail Water Connections	2,181	2,168	2,168	2,165	2,166
Total Active Retail Wastewater Connections	2,142	2,129	2,129	2,123	2,125

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
26.9 %	26.9 %	26.3 %	25.3 %	27.8 %
35.3	33.7	34.0	35.3	34.3
26.8	26.7	27.6	29.4	28.4
8.3	8.6	8.6	6.9	6.3
1.0	1.9	2.0	2.3	2.6
0.2	0.3	0.4	0.3	0.3
1.5	1.9	1.1	0.5	0.3
100.0	100.0	100.0	100.0	100.0
25.6	26.2	24.9	26.6	27.5
5.0	4.4	4.2	4.0	3.9
24.1	24.6	24.9	24.1	22.5
9.9	10.3	11.2	12.7	12.9
1.1	1.0	1.0	1.1	1.4
13.2	21.2	18.9	12.8	15.0
3.3	3.3	3.3	3.5	3.4
5.1	2.0	2.1	-	-
0.1	-	0.4	-	-
87.4	93.0	90.9	84.8	86.6
12.6 %	7.0 %	9.1 %	15.2 %	13.4 %

Sagemeadow Utility District

Comparative Schedule of Revenues and Expenditures – Debt Service Fund

Five Years Ended September 30,

	Amounts				
	2020	2019	2018	2017	2016
Debt Service Fund					
Revenues					
Property taxes	$ 628,027	426,082	$ 451,192	$ 431,615	$ 411,835
Penalty and interest	14,509	31,038	26,393	15,568	24,930
Investment income	4,200	7,834	6,823	4,452	2,914
Total revenues	646,736	464,954	484,408	451,635	439,679
Expenditures					
Current:					
Professional fees	5,742	9,989	6,698	4,648	6,802
Contracted services	47,465	42,013	41,598	40,939	41,992
Other expenditures	8,718	9,256	9,862	5,952	9,434
Debt service:					
Principal retirement	250,000	250,000	235,000	130,000	125,000
Interest and fees	423,840	322,813	332,681	340,840	344,196
Debt issuance costs	184,800	-	-	-	-
Debt defeasance	8,000	-	-	-	-
Total expenditures	928,565	634,071	625,839	522,379	527,424
Deficiency of Revenues Over Expenditures	(281,829)	(169,117)	(141,431)	(70,744)	(87,745)
Other Financing Sources (Uses)					
General obligation bonds issued	4,505,000	130,625	-	-	-
Premium on debt issued	15,246	-	-	-	-
Deposit with escrow agent	(4,335,446)	-	-	-	-
Total other financing sources	184,800	130,625	0	0	0
Deficiency of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(97,029)	(38,492)	(141,431)	(70,744)	(87,745)
Fund Balance, Beginning of Year	290,770	329,262	470,693	541,437	629,182
Fund Balance, End of Year	$ 193,741	$ 290,770	$ 329,262	$ 470,693	$ 541,437

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
97.1 %	91.6 %	93.1 %	95.6 %	93.7 %
2.2	6.7	5.5	3.4	5.7
0.7	1.7	1.4	1.0	0.6
100.0	100.0	100.0	100.0	100.0
0.9	2.2	1.4	1.0	1.5
7.3	9.0	8.6	9.1	9.6
1.4	2.0	2.0	1.3	2.2
38.7	53.8	48.5	28.8	28.4
65.5	69.4	68.7	75.5	78.3
28.6	-	-	-	-
1.2	-	-	-	-
143.6	136.4	129.2	115.7	120.0
(43.6) %	(36.4) %	(29.2) %	(15.7) %	(20.0) %

Sagemeadow Utility District

Board Members, Key Personnel and Consultants

Year Ended September 30, 2020

Complete District mailing address:	Sagemeadow Utility District 10755 Hall Road Houston, Texas 77089	
District business telephone number:	281.481.4182	
Submission date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):		May 14, 2018
Limit on fees of office that a director may receive during a fiscal year:		$ 7,200

Board Members	Term of Office Elected & Expires	Fees*	Expense Reimbursements	Title at Year-end
Glenn D. Williams	Elected 05/20-05/24	$ 3,600	$ 0	President
David C. Montgomery	Elected 05/20-05/24	3,900	0	Vice President
C. Ted Heinrich	Elected 05/18-05/22	2,850	0	Assistant Vice President
Timothy A. Beyer	Elected 05/18-05/22	3,600	0	Secretary/ Treasurer
John E. Elam	Elected 05/18-05/22	2,400	0	Assistant Secretary/ Treasurer

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

Sagemeadow Utility District

Board Members, Key Personnel and Consultants (Continued)

Year Ended September 30, 2020

Consultants	Date Hired	Fees and Expense Reimbursements	Title
BKD, LLP	07/10/85	$ 20,700	Auditor
The GMS Group, L.L.C.	06/14/99	47,225	Financial Advisor
Harris County Appraisal District	Legislative Action	11,213	Appraiser
IDS Engineering Group	09/18/03	187,411	Engineer
Bob Leared Interests	08/08/74	47,462	Tax Assessor/ Collector
Municipal Accounts & Consulting, L.P.	04/13/05	31,185	Bookkeeper
Municipal District Services, L.L.C.	05/14/08	639,611	Operator
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/10/99	5,742	Delinquent Tax Attorney
Sanford Kuhl Hagan Kugle Parker Kahn LLP	07/31/89	97,062	General Counsel
		55,884	Bond Counsel
Investment Officers			
Mark M. Burton and Ghia Lewis	02/08/06	N/A	Bookkeepers

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on] Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)