

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND INTEREST ON THE BONDS IS NOT AN ITEM OF PREFERENCE FOR PURPOSE OF THE FEDERAL ALTERNATIVE MINIMUM TAX. "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District 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. 07163K

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

**\$5,440,000**

**BAUER LANDING WATER CONTROL AND IMPROVEMENT DISTRICT**

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

**UNLIMITED TAX REFUNDING BONDS**

**SERIES 2022**

**Dated: March 1, 2022**

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

Interest on the \$5,440,000 Unlimited Tax Refunding Bonds, Series 2022 (the "Bonds") will accrue from March 1, 2022, and will be payable on September 1 and March 1 of each year, commencing September 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 PRICES**

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$25,000	2023	3.00%	0.85%	\$225,000	2030 (b)	2.00%	2.00%
\$175,000	2024	3.00%	1.05%	\$225,000	2031 (b)	2.00%	2.15%
\$175,000	2025	3.00%	1.25%	\$220,000	2032 (b)	2.00%	2.30%
\$205,000	2026	3.00%	1.40%	\$245,000	2033 (b)	2.25%	2.45%
\$205,000	2027	3.00%	1.55%	\$240,000	2034 (b)	2.25%	2.50%
\$205,000	2028 (b)	2.00%	1.70%	\$240,000	2035 (b)	2.25%	2.60%
\$200,000	2029 (b)	2.00%	1.85%				

\$515,000 2.50% Term Bond Due March 1, 2037 to Yield 2.65% (a) (b) (c)

\$2,340,000 2.65% Term Bond Due March 1, 2045 to Yield 2.80% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after March 1, 2028, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on March 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 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 of the Bonds."
- (c) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Redemption of the Bonds."

The proceeds of the Bonds will be used by Bauer Landing Water Control and Improvement District (the "District") to currently refund certain of the District's Unlimited Tax Bonds, Series 2017, and to pay issuance and administrative expenses related to the Bonds. See "PLAN OF FINANCING."

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 Johnson Petrov LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Underwriter's Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about March 3, 2022.

**SAMCO CAPITAL**

## TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	1
UNDERWRITING .....	1
CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12.....	2
MUNICIPAL BOND RATING .....	3
BOND INSURANCE.....	3
OFFICIAL STATEMENT SUMMARY .....	5
DEBT SERVICE REQUIREMENTS.....	9
INTRODUCTION .....	10
RISK FACTORS.....	10
PLAN OF FINANCING .....	18
THE DISTRICT.....	20
DESCRIPTION OF THE DISTRICT'S SYSTEM.....	25
WATER AND SEWER SERVICE FOR RESIDENTS IN THE DISTRICT.....	26
MANAGEMENT OF THE DISTRICT .....	26
DISTRICT INVESTMENT POLICY .....	27
GENERAL FUND OPERATING HISTORY.....	27
DISTRICT DEBT .....	28
DISTRICT TAX DATA .....	29
TAXING PROCEDURES .....	31
ANNEXATION AND CONSOLIDATION.....	34
THE BONDS.....	35
BOOK-ENTRY-ONLY SYSTEM.....	38
LEGAL MATTERS .....	39
TAX MATTERS.....	40
REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS .....	42
VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS .....	42
OFFICIAL STATEMENT.....	42
MISCELLANEOUS.....	43
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.....	A
PHOTOGRAPHS TAKEN IN THE DISTRICT .....	B
SPECIMEN MUNICIPAL BOND INSUARANCE POLICY.....	C

## **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.

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 Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, Texas 77019, upon payment of duplication costs.

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this 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 C – Specimen Municipal Bond Insurance Policy."**

## **UNDERWRITING**

### **Award of the Bonds**

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a proposal submitted to the District at a price of \$5,353,878.25 which represents the principal amount of the Bonds \$5,440,000.00 less a net original issue discount of \$49,945.75 less an Underwriter's discount of \$36,176.00 plus accrued interest on the Bonds from the Dated Date to the date of delivery. Such price produces a net effective interest rate of 2.592001%.

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. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## **CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12**

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

## **Annual Reports**

The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in "DISTRICT DEBT," "DISTRICT TAX DATA," and "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. The District will provide the updated information to EMMA.

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 it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA 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 December 31. Accordingly, it must provide updated information by June 30 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; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provisions for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

## **Availability of Information**

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

## **Limitations and Amendments**

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

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

## **Compliance with Prior Undertakings**

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made in accordance with the Rule.

## **MUNICIPAL BOND RATING**

S&P Global Ratings ("S&P") has assigned an underlying municipal bond rating of "BBB" (stable outlook) to 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 of the appropriateness of such rating. The underlying rating of the District to be released by S&P will be maintained by S&P in addition to the rating by virtue of bond insurance. See "BOND INSURANCE." The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P has assigned its municipal bond rating of "AA" (stable outlook) to the 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 the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "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 appendix to this Official Statement.

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

### **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](http://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](http://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](http://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."

#### *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 [www.buildamerica.com/videos](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](http://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 appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

### **THE BONDS**

<b>Description:</b>	The \$5,440,000 Unlimited Tax Refunding Bonds, Series 2022 (the "Bonds"), are dated March 1, 2022. The Bonds represent the fourth series of bonds to be issued by Bauer Landing Water Control and Improvement District (the "District"). The Bonds mature on March 1 in the years as reflected 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 51, 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, Chapter 1207, Texas Government Code, as amended, an election held within the District, and City of Houston Ordinance No. 97-416. See "THE BONDS."
<b>Source of Payment:</b>	The Bonds are payable from a continuing, direct, annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."
<b>Redemption Provisions:</b>	The Bonds maturing on or after March 1, 2028, are subject to early redemption, in whole or from time to time in part, on March 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 of the Bonds." The Bonds maturing on March 1 in the years 2037 and 2045 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on March 1 in the years 2036 and 2038, respectively. See "THE BONDS – Mandatory Redemption of the Bonds."
<b>Book-Entry-Only System:</b>	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, 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."
<b>Plan of Financing:</b>	Proceeds from the sale of the Bonds will be used to pay issuance and administrative expenses related to the Bonds and to currently refund certain of the District's Unlimited Tax Bonds, Series 2017, in an aggregate principal amount of \$5,175,000 (the "Refunded Bonds") in order to achieve present value savings in the District's debt service expense. See "PLAN OF FINANCING."
<b>Payment Record:</b>	The District has previously issued three (3) series of unlimited tax bonds, of which \$14,245,000 principal amount was outstanding as of January 1, 2022 (the "Outstanding Bonds"). The District has never defaulted on the payment of principal of or interest on the Outstanding Bonds. See "DISTRICT DEBT."
<b>Qualified Tax Exempt Obligations:</b>	The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
<b>Legal Opinion:</b>	Johnson Petrov LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
<b>Paying Agent/Registrar:</b>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."
<b>Verification Agent:</b>	Robert Thomas CPA, LLC, Minneapolis, Minnesota. See "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS."
<b>Municipal Bond Rating:</b>	S&P has assigned an underlying municipal bond rating of "BBB" (stable outlook) to 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 of the appropriateness of such rating. See "MUNICIPAL BOND RATING."
<b>Municipal Bond Insurance and Rating:</b>	S&P has assigned its municipal bond rating of "AA" (stable outlook) to the 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 "BOND INSURANCE," "MUNICIPAL BOND RATING," and "APPENDIX C – Specimen Municipal Bond Insurance Policy."



**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, a political subdivision of the State of Texas, is a water control and improvement district created on August 5, 2014 by an order of the Texas Commission on Environmental Quality (the "TCEQ"). The District was created pursuant to the authority of Article XVI, Section 59, of the Texas Constitution and operates pursuant to Chapters 49 and 51, 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 water control and improvement districts, including particularly Chapters 49 and 51, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Under certain limited circumstances, the District also is authorized to construct, develop, and maintain park and recreational facilities. The District is subject to the continuing supervisory jurisdiction of the TCEQ. See "THE DISTRICT – Authority."

**Description and Location:** The District, as it was originally created, included approximately 306 acres. Since its creation, the District has annexed certain tracts of land and currently includes approximately 454 acres. The District lies wholly within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City of Houston, Texas (the "City"). The District is located in northwest Harris County, approximately 38 miles northwest of the central business district of the City and approximately 9.5 miles east-northeast of the City of Waller, Texas. The District is located approximately 10 miles west of State Highway 249 and nine (9) miles east of U.S. Highway 290. The District is located north of FM 2920, east of Bauer Road, south of Spring Creek, and west of Roberts Cemetery Road. See "THE DISTRICT – Description."

**Development of the District:** The District is being developed for predominantly single-family residential purposes in the subdivision known as Bauer Landing. As of December 1, 2021, the District included 1,137 completed homes (approximately 1,069 of which were occupied), 18 homes under construction, and 122 vacant developed lots in Bauer Landing, Sections 1 – 9. See "THE DISTRICT – Status of Residential Development," and "APPENDIX B – Photographs Taken in the District."

**Summary of Land Uses:** As of December 1, 2021, the District included approximately 279 developed acres, approximately 9 remaining developable acres, and approximately 166 undevelopable acres, which includes streets and road rights-of-way, detention ponds, drainage easements, water and wastewater plant sites, pipeline easements, parks and recreational facilities, and open spaces. See "THE DISTRICT – Land Uses and Status of Land Development."

**The Developer:** The Developer in the District is LGI Homes – Texas, LLC (herein the "Developer"), a special purpose entity created solely for the purpose of developing land in projects located in Texas. The Developer is a Texas limited partnership whose sole general partner is LGI Homes – Group, LLC ("Homes Group"). Homes Group is a Texas limited partnership whose sole general partner is LGI Homes, Inc. ("LGI Homes"). As noted above, the Developer has completed the development of Bauer Landing, Sections 1 – 9. The Developer expects to develop an additional approximately nine (9) acres of land, which, based on current land plans, is anticipated to be developed for commercial purposes. The Developer is also the sole homebuilder in the District. According to the Developer, homes in the District are being constructed on 45-foot and 50-foot lots and are being marketed in the \$225,000 – \$290,000 price range. See "THE DISTRICT – The Developer."

**The System:** The District's water supply and water distribution are provided by a separate, private entity operating under Certificate of Convenience and Necessity No. 11612 for water supply and distribution and doing business as Quadvest, L.P. ("Quadvest"). The District's residents are served by water supply and distribution facilities owned and operated by Quadvest. The wastewater collection and wastewater treatment facilities are being provided by Quadvest operating under Certificate of Convenience and Necessity No. 20952. The wastewater treatment plant and the wastewater collection lines servicing the District are owned and have been financed by Quadvest.

The drainage and detention system serving Bauer Landing, Sections 1 – 9 is complete. The District includes a functional storm drainage collection, transmission, detention system, and storm water quality mitigation system, which includes two detention basin outfalls that serve the entire District. The storm drainage in the District complements the concrete curb-and-gutter paved streets. The storm drainage collection, transmission, detention, and storm water quality facilities are operated and maintained by the District. None of the developed lots in the District are located within the 100-year flood plain. See "DESCRIPTION OF THE DISTRICT'S SYSTEM" and "WATER AND SEWER SERVICE FOR RESIDENTS IN THE DISTRICT."

**Infectious Disease Outlook (COVID-19):** In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all



counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

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

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

**SELECTED FINANCIAL INFORMATION**  
**(Unaudited)**

12/1/2021 Estimated Taxable Value	\$257,235,551	(a)
2021 Certified Taxable Value	\$203,286,668	(b)
Direct Debt:		
Remaining Outstanding Bonds	\$9,070,000	(c)
The Bonds	<u>\$5,440,000</u>	
Total Direct Debt	\$14,510,000	
See "DISTRICT DEBT"		
Estimated Overlapping Debt	<u>\$16,536,218</u>	(d)
Direct and Estimated Overlapping Debt	\$31,046,218	
Percentage of Direct Debt to:		
12/1/2021 Estimated Taxable Value	5.64%	
2021 Certified Taxable Value	7.14%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
12/1/2021 Estimated Taxable Value	12.07%	
2021 Certified Taxable Value	15.27%	
See "DISTRICT DEBT"		
2021 District Tax Rate Per \$100 of Assessed Value:		
Debt Service Tax	\$0.41	
Maintenance Tax	<u>\$0.34</u>	
Total 2021 District Tax Rate	\$0.75	
Cash and Temporary Investment Balances as of January 5, 2022:		
General Fund	\$770,575	(e)
Debt Service Fund	\$386,107	(f)

- (a) Reflects data supplied by the Harris County Appraisal District ("HCAD" or the "Appraisal District"). The Estimated Taxable Value as of December 1, 2021, was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2021 Certified Taxable Value according to data supplied to the District by HCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) Excludes the Refunded Bonds. See "PLAN OF FINANCING – Outstanding Bonds."
- (d) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (e) Unaudited figure per the District's records. See "GENERAL FUND OPERATING HISTORY."
- (f) 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 – Tax Adequacy of Tax Revenue."

## DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds, plus the debt service on the Bonds.

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>Less: Debt Service on the Refunded Bonds</u>	<u>Plus: Debt Service on the Bonds</u>		<u>Total Debt Service</u>
			<u>Principal</u>	<u>Interest</u>	
2022	\$632,693	\$92,441		\$68,124	\$608,376
2023	\$750,149	\$184,881	\$25,000	\$135,873	\$726,141
2024	\$765,574	\$333,006	\$175,000	\$132,873	\$740,441
2025	\$755,886	\$329,069	\$175,000	\$127,623	\$729,440
2026	\$795,949	\$349,381	\$205,000	\$121,923	\$773,491
2027	\$809,824	\$344,131	\$205,000	\$115,773	\$786,466
2028	\$798,236	\$338,794	\$205,000	\$110,648	\$775,090
2029	\$786,430	\$333,238	\$200,000	\$106,598	\$759,790
2030	\$848,336	\$352,019	\$225,000	\$102,348	\$823,665
2031	\$833,967	\$345,244	\$225,000	\$97,848	\$811,571
2032	\$819,379	\$338,344	\$220,000	\$93,398	\$794,433
2033	\$828,927	\$355,766	\$245,000	\$88,441	\$806,602
2034	\$861,927	\$347,609	\$240,000	\$82,985	\$837,303
2035	\$844,037	\$339,453	\$240,000	\$77,585	\$822,169
2036	\$850,426	\$355,688	\$260,000	\$71,635	\$826,373
2037	\$855,818	\$346,313	\$255,000	\$65,198	\$829,703
2038	\$860,380	\$336,938	\$255,000	\$58,631	\$837,073
2039	\$864,036	\$352,094	\$275,000	\$51,609	\$838,551
2040	\$866,817	\$341,781	\$275,000	\$44,321	\$844,357
2041	\$868,724	\$356,000	\$295,000	\$36,769	\$844,493
2042	\$894,239	\$344,563	\$290,000	\$29,018	\$868,694
2043	\$893,349	\$357,453	\$310,000	\$21,068	\$866,964
2044	\$891,693	\$344,859	\$310,000	\$12,853	\$869,687
2045	\$938,536	<u>\$356,781</u>	<u>\$330,000</u>	<u>\$4,373</u>	\$916,128
2046	\$585,580				\$585,580
2047	<u>\$328,656</u>				<u>\$328,656</u>
<b>TOTALS</b>	<b>\$20,829,568</b>	<b>\$7,875,846</b>	<b>\$5,440,000</b>	<b>\$1,857,515</b>	<b>\$20,251,237</b>

Maximum Annual Debt Service Requirements (2045)..... \$916,128

\$0.38 debt service tax rate on the December 1, 2021 Estimated Taxable Value of \$257,235,551  
at 95% collections produces ..... \$928,620

\$0.48 debt service tax rate on the 2021 Certified Taxable Value of \$203,286,668  
at 95% collections produces ..... \$926,987

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

## **OFFICIAL STATEMENT**

relating to

**\$5,440,000**

**BAUER LANDING WATER CONTROL AND IMPROVEMENT DISTRICT**  
(A political subdivision of the State of Texas located within Harris County, Texas)

**UNLIMITED TAX REFUNDING BONDS**  
**SERIES 2022**

### **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance of the \$5,440,000 Bauer Landing Water Control and Improvement District Unlimited Tax Refunding Bonds, Series 2022 (the "Bonds").

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 51, Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of Bauer Landing Water Control and Improvement District (the "District"), Chapter 1207, Texas Government Code, as amended, an election held within the District, and City of Houston (the "City") Ordinance No. 97-416.

This Official Statement includes descriptions of the Bonds, the Bond Order, certain information about the District, and the District's 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 are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Houston, or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – 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.

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

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

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

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

## **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. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

## **Registered Owners' Remedies**

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages 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 Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space, especially during times of relatively low oil and natural gas prices. The relatively low oil and natural gas prices, recently experienced worldwide, 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 continued growth 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-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. 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.

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 land development or home 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 maintenance of certain of the values in Bauer Landing, Section 7, which, upon being built out, will be comprised of 390 single-family residential homes, approximately 103 of which are currently held as rental homes by the Developer, may be particularly affected by the availability of apartment or other rental properties and the overall health of the Houston economy. See "THE DISTRICT – The Developer" and "DISTRICT TAX DATA – Principal Taxpayers."

The housing industry in the Houston area is competitive and the District can give no assurance that current home building programs will be completed. The competitive position of the developers in the sale of their 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.

Nationally, there was a significant downturn in new housing construction from 2008 – 2012 caused, in part, by increasing foreclosures, reduced builder financing, the unavailability of mortgage funds, and contraction in the national economy resulting in a decline in the market value of homes. The Houston area experienced reduced levels of home construction in 2009, 2010, 2011 and 2012 when compared to similar periods in prior years (i.e. 2004 – 2007).

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.

### **Landowners/Developer Under No Obligation to the District**

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

### **Potential Impact of Future Development on District Tax Rates**

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 Maximum Annual Debt Service Requirement will be \$916,128 (2045). The December 1, 2021 Estimated Taxable Value of property within the District according to HCAD is \$257,235,551. Assuming no increase or decrease from the December 1, 2021 Estimated Taxable Value, and no use of other District funds, a debt service tax rate of \$0.38 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The 2021 Certified Taxable Value of property within the District according to HCAD is \$203,286,668. Assuming no increase or decrease from the 2021 Certified Taxable Value, and no use of other District funds, a debt service tax rate of \$0.48 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

### **Future Debt**

The District may issue additional bonds, with the approval of the TCEQ, necessary to provide and rehabilitate improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – Authority." The District's voters have authorized the issuance of a total of \$50,000,000 of unlimited tax bonds for water, sewer, and drainage facilities. The District has a total of \$35,505,000 of unlimited tax bonds for water, sewer, and drainage facilities that remain authorized but unissued. The District's voters have additionally authorized the issuance of unlimited tax refunding bonds in an amount equal to one and one-half times the outstanding principal amount of new money unlimited tax bonds from time to time. 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).

### **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 a City ordinance authorizing park bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park project and bonds by the TCEQ; and (e) 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 Board has not prepared a park plan and the voters have not authorized park and recreation bonds at this time. If authorized by the voters, such bonds could be issued in the future.

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 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 water control and improvement 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 water control and improvement 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 water control and improvement 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 water control and improvement district's provision of water for human consumption is subject to extensive regulation as a public water system. Water control and improvement districts, and other public water suppliers, such as Quadvest (hereinafter defined), 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 water control and improvement district, and other public utility operators, such as Quadvest, must comply may have an impact on the water control and improvement 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 July 30, 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. 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 water control and improvement districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

### **Changes in Tax Legislation**

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

### **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.

### **Severe Weather**

The District is located approximately 80 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

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

## **Hurricane Harvey**

The Houston area, including the area in and around the District in 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 Developer and the District's Engineer, none of the homes within the District experienced any flooding as a result of Hurricane Harvey.

## **Specific Flood Type Risks**

The District may be subject to the following flood risks:

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

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

## **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. See "TAXING PROCEDURES."

## **Tax Payment Installments**

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

## **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 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 codes for any property located within the expanded boundaries of the floodplain.

## **Harris County Floodplain Regulations**

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

## **PLAN OF FINANCING**

### **Purpose**

The Bonds are being issued to pay issuance and administrative expenses related to the Bonds and currently refund \$5,175,000 principal amount of the District's Unlimited Tax Bonds, Series 2017 (the "Refunded Bonds"). The refunding is being implemented in order to produce present value savings in the District's annual debt service expense.

The District's currently Outstanding Bonds (the "Remaining Outstanding Bonds") totaling \$9,070,000 will remain outstanding after the issuance of the Bonds and the refunding of the Refunded Bonds. All of the Refunded Bonds, which are scheduled to mature in various amounts on March 1 in the years 2024 through 2045, will be redeemed at par in advance of their respective maturities on the date of delivery of the Bonds. See "Refunded Bonds" herein.

### **Outstanding Bonds**

The table below summarizes the District's previously issued series of bonds.

<b>Original Principal Amount</b>	<b>Series</b>	<b>Principal Amount Outstanding</b>	<b>Principal Amount Outstanding After the Bonds</b>
\$5,700,000	Unlimited Tax Bonds, Series 2017	\$5,450,000	\$275,000
\$4,120,000	Unlimited Tax Bonds, Series 2019	\$4,120,000	\$4,120,000
\$4,675,000	Unlimited Tax Bonds, Series 2020	\$4,675,000	\$4,675,000
<b>\$14,495,000</b>		<b>\$14,245,000</b>	<b>\$9,070,000</b>

## **Refunded Bonds**

Proceeds of the Bonds will be applied to currently refund \$5,175,000 in principal amount of the Refunded Bonds. The principal amounts and maturity dates of the Refunded Bonds to be refunded are set out in the table below, all with maturity dates of March 1 in the years shown. The Refunded Bonds will be called for redemption on March 3, 2022.

<b><u>Years</u></b>	<b><u>Series 2017 Bonds</u></b>	<b><u>Principal Amount</u></b>
2022	-	
2023	-	
2024	\$150,000	
2025	\$150,000	
2026	\$175,000	
2027	\$175,000	
2028	\$175,000	
2029	\$175,000	
2030	\$200,000	
2031	\$200,000	
2032	\$200,000	
2033	\$225,000	
2034	\$225,000	
2035	\$225,000	(a)
2036	\$250,000	
2037	\$250,000	
2038	\$250,000	(b)
2039	\$275,000	
2040	\$275,000	
2041	\$300,000	(c)
2042	\$300,000	
2043	\$325,000	
2044	\$325,000	
2045	\$350,000	(d)
	<b><u>\$5,175,000</u></b>	

- (a) Represents the \$675,000 Term Bond with mandatory sinking fund provisions beginning in 2033 through and including the 2035 maturity.
- (b) Represents the \$750,000 Term Bond with mandatory sinking fund provisions beginning in 2036 through and including the 2038 maturity.
- (c) Represents the \$850,000 Term Bond with mandatory sinking fund provisions beginning in 2039 through and including the 2041 maturity.
- (d) Represents the \$1,300,000 Term Bond with mandatory sinking fund provisions beginning in 2042 through and including the 2045 maturity.

## **Defeasance of the Refunded Bonds**

By the deposit of cash with the Paying Agent for the Refunded Bonds, Zions Bancorporation, National Association (successor to Amegy Bank, a division of ZB, N.A.), the District will have affected the defeasance of the Refunded Bonds pursuant to the terms of the order authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such a deposit, and in reliance upon the verification report of Robert Thomas CPA, LLC (see "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS"), firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed under Texas law to be fully paid and no longer outstanding.

## **Sources and Uses of Funds**

The proceeds from the sale of the Bonds will be applied as follows:

<b>Sources of Funds:</b>	
Principal Amount of the Bonds	\$5,440,000.00
Less Net Original Issue Discount	(\$49,945.75)
Accrued Interest	\$756.93
<b>Total Sources of Funds</b>	<b>\$5,390,811.18</b>
<b>Uses of Funds:</b>	
Deposit to Refund Bonds	\$5,176,027.12
Issuance Expenses (a)	\$177,851.13
Underwriter's Discount	\$36,176.00
Accrued Interest	\$756.93
<b>Total Uses of Funds</b>	<b>\$5,390,811.18</b>

(a) Includes municipal bond insurance premium.

## **THE DISTRICT**

### **Authority**

The District, a political subdivision of the State of Texas, is a water control and improvement district created on August 5, 2014, by an order of the TCEQ, and confirmed at an election held within the District on November 4, 2014. The District operates pursuant to the authority of Chapters 49 and 51, Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to water control and improvement districts, including particularly Chapters 49 and 51, Texas Water Code, as amended. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

Under certain limited circumstances, the District also is authorized to construct, develop, and maintain park and recreational facilities. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provides such facilities and services to the customers of the District.

The District is subject to the continuing supervisory jurisdiction of the TCEQ, as well as the terms of the City of Houston Consent Ordinance consenting to the creation of the District.

### **Description**

The District, as it was originally created, included approximately 306 acres. Since its creation, the District has annexed certain tracts of land and currently includes approximately 454 acres. The District lies wholly within Harris County, Texas, and entirely within the extraterritorial jurisdiction of the City. The District is located in northwest Harris County, approximately 38 miles northwest of the central business district of the City and approximately 9.5 miles east-northeast of the City of Waller, Texas. The District is located approximately 10 miles west of State Highway 249 and nine (9) miles east of U.S. Highway 290. The District is located north of FM 2920, east of Bauer Road, south of Spring Creek, and west of Roberts Cemetery Road.

The District has elevations ranging from 189 feet above mean sea level ("msl") to 246 feet msl. Approximately 34 acres in the District lie within the 100-year flood plain as shown by current Federal Insurance Rate Maps published by the Federal Emergency Management Agency. All of such acreage is located within a Harris County Flood Control District easement. None of the developed lots upon which homes are being built are located within the 100-year flood plain.



## **Land Uses and Status of Land Development**

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

<b><u>Type of Land Use</u></b>	<b><u>Approximate Acres</u></b>	
Developed and Improved Acres	279	(a)
Acres Under Development	0	
Additional Developable Acres	9	(b)
Undevelopable Acres	<u>166</u>	(c)
<b>Total Approximate Acres</b>	<b>454</b>	

- (a) Represents the developable acres located in Bauer Landing, Sections 1 – 9.
- (b) Represents land planned for future development, which, based on current land plans, is anticipated to be developed for commercial purposes.
- (c) Includes streets and road rights-of-way, detention ponds, drainage easements, water and wastewater plant sites, pipeline easements, parks and recreational facilities, and open spaces.

## **Status of Residential Development**

The District is being developed for predominantly single-family residential purposes in the subdivision known as Bauer Landing. The following table indicates the approximate status of single-family development as of December 1, 2021. See “APPENDIX B – Photographs Taken in the District” for further illustration of the various products of homes being constructed in the District.

<b><u>Subdivision/Section</u></b>	<b><u>Approximate Acreage</u></b>	<b><u>Completed Homes</u></b>	<b><u>Homes Under Construction</u></b>	<b><u>Vacant Developed Lots</u></b>	<b><u>Total Lots</u></b>
Bauer Landing, Section 1 (a)	38	128	0	0	128
Bauer Landing, Section 2 (a)	29	92	0	0	92
Bauer Landing, Section 3 (a)	25	111	0	0	111
Bauer Landing, Section 4 (a)	40	190	0	0	190
Bauer Landing, Section 5 (a)	33	182	0	0	182
Bauer Landing, Section 6 (a)	17	79	0	0	79
Bauer Landing, Section 7 (a) (b)	77	355	15	20	390
Bauer Landing, Section 8 (a)	19	0	3	95	98
Bauer Landing, Section 9 (a)	1	0	0	7	7
Additional Developable Acres (c)	9	-	-	-	-
Undevelopable Acres (d)	<u>166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<b>454</b>	<b>1,137 (e)</b>	<b>18</b>	<b>122</b>	<b>1,277</b>

- (a) Homes in Bauer Landing, Sections 1 – 9 have been, and are being, constructed by the Developer on 45-foot and 50-foot lots and marketed in the \$225,000 – \$290,000 price range.
- (b) According to the Developer, approximately 103 homes in Bauer Landing, Section 7 are currently owned by the Developer and are being rented to tenants subject to annual rental agreements.
- (c) Represents land planned for future development, which, based on current land plans, is anticipated to be developed for commercial purposes.
- (d) Includes streets and road rights-of-way, detention ponds, drainage easements, water and wastewater plant sites, pipeline easements, parks and recreational facilities, and open spaces.
- (e) According to the Developer, as of December 1, 2021, approximately 1,069 of the completed homes were owner-occupied, which includes 81 homes in Bauer Landing, Section 7 that are currently being rented to tenants.

## **The Developer**

In general, the activities of developers in a water control and improvement district, such as the District, include purchasing the land within a district, designing the utilities and streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater and drainage facilities pursuant to the rules of TCEQ, as well as gas, telephone and electric service), and selling improved lots and commercial reserves to builders, other developers or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater and drainage facilities in the utility district exclusive of water and sewage treatment plants, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the

revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

The Developer in the District is LGI Homes – Texas, LLC (herein the “Developer”), a special purpose entity created solely for the purpose of developing land in projects located in Texas. The Developer is a Texas limited partnership whose sole general partner is LGI Homes – Group, LLC (“Homes Group”). Homes Group is a Texas limited partnership whose sole general partner is LGI Homes, Inc. (“LGI Homes”). The Developer has completed the development of Bauer Landing, Sections 1 – 9. The Developer expects to develop an additional approximately nine (9) acres of land, which, based on current land plans, is anticipated to be developed for commercial purposes. The Developer is also the sole homebuilder in the District. According to the Developer, homes in the District are being constructed on 45-foot and 50-foot lots and are being marketed in the \$225,000 – \$290,000 price range.

The Developer has completed the development of Bauer Landing, Section 7 and is currently implementing its homebuilding program in such section. Upon build out, Bauer Landing, Section 7 will be comprised of 390 single-family residential homes. According to the developer, 103 homes in Bauer Landing, Section 7 are currently owned by the Developer and are being held as rental homes. Such rental homes are being rented to tenants subject to annual rental agreements. As of December 1, 2021, approximately 81 homes of the 103 homes being held for rental purposes were rented to tenants. See “RISK FACTORS – Economic Factors” and “DISTRICT TAX DATA – Principal Taxpayers.”

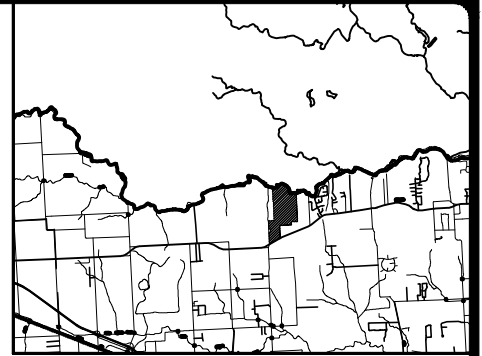
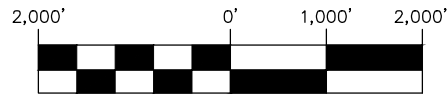
### **Developer’s Financing**

LGI Homes, a Delaware corporation, is a publicly traded company, the stock of which is traded on the NASDAQ Global Select Market under the ticker symbol “LGIH”. As a publicly traded company, LGI Homes is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission (“SEC”). Reports, proxy statements, and other information filed by LGI Homes can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC. Audited financial statements for LGI Homes are also available at [www.lgihomes.com](http://www.lgihomes.com).

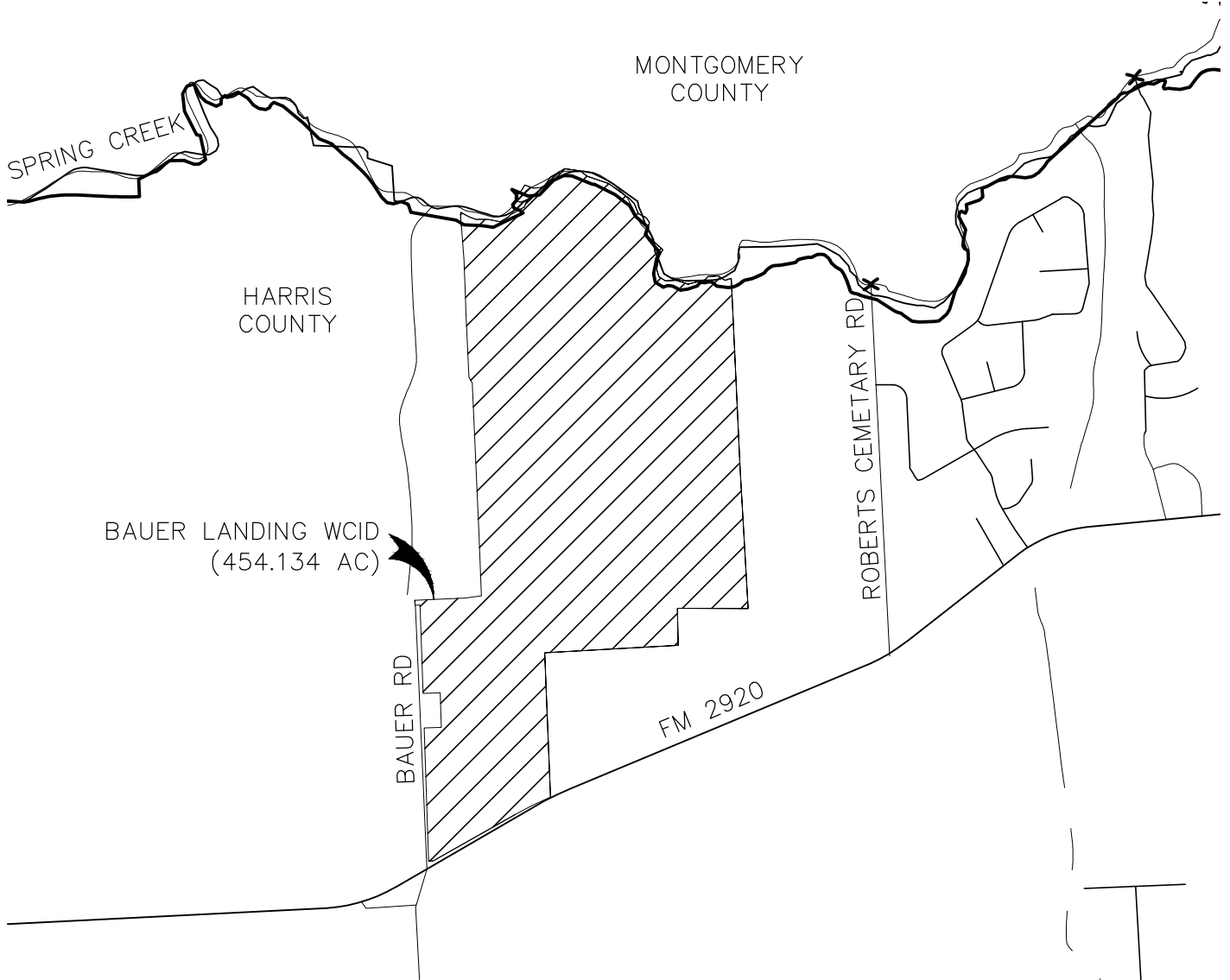
# LOCATION MAP



SCALE: 1" = 2,000'



**LOCATION MAP**  
NOT-TO-SCALE



JOB NO. 40130-02  
DATE DEC 2017  
DESIGNER  
CHECKED SH\_DRAWN WJR  
SHEET EXHIBIT 4

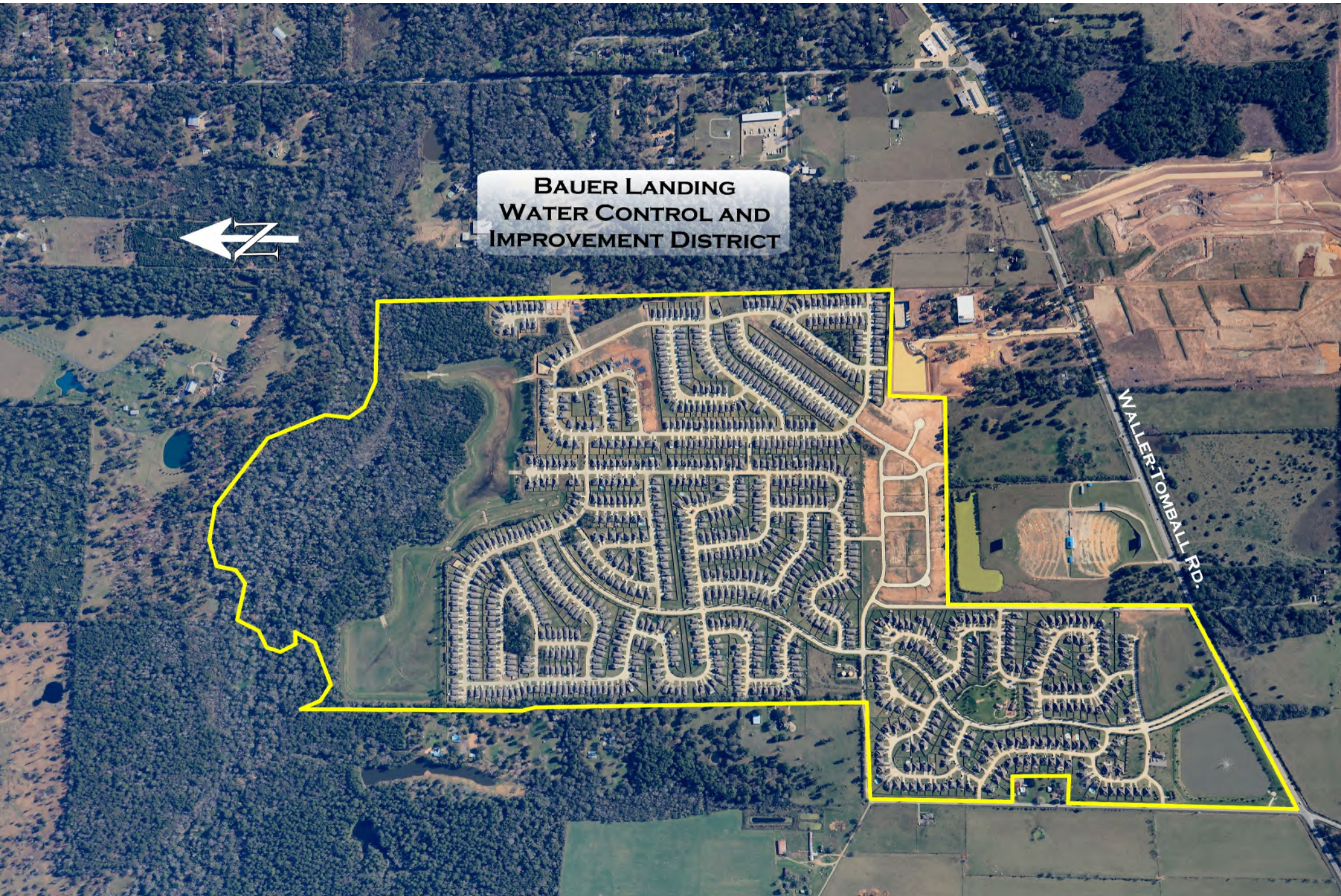
**BAUER LANDING WCID**  
**CITY OF HOUSTON ETJ, TEXAS**  
**LOCATION MAP**

**PAPE-DAWSON**  
**ENGINEERS**

HOUSTON | SAN ANTONIO | AUSTIN | FORT WORTH | DALLAS  
10333 RICHMOND AVE, STE 900 | HOUSTON, TX 77042 | 713.428.2400  
TBPB FIRM REGISTRATION #470 | TBPB FIRM REGISTRATION #10193974



# AERIAL PHOTOGRAPH



**BAUER LANDING  
WATER CONTROL AND  
IMPROVEMENT DISTRICT**

WALLERTOMBALL RD.



## **DESCRIPTION OF THE DISTRICT'S SYSTEM**

The following is a description of the District's water supply and distribution, wastewater collection and treatment, and drainage facilities (the "System") and certain System-related contracts pursuant to which the District operates. The District was established to provide a potable water supply, to collect and treat wastewater, and to provide for drainage of the land within the District. The following information was obtained from the District's Engineer.

### **Water Supply and Distribution**

The District's water supply and water distribution are provided by a separate, private entity operating under Certificate of Convenience and Necessity No. 11612 for water supply and distribution ("CCN No. 11612") and doing business as Quadvest, L.P. ("Quadvest"). The District's residents are served by water supply and distribution facilities owned and operated by Quadvest. The water plant serving the District is located on a 3.303-acre reserve located within the District. The water supply and water distribution facilities have been financed by Quadvest. The water supply facilities are currently adequate to serve the approximately 1,277 equivalent single-family connections ("ESFCs") currently located within the District. According to Quadvest, the water plant serving the District will ultimately be sized to serve the approximately 1,367 ESFCs anticipated at full development with additional ESFCs in reserve. The residents in the District currently pay their monthly water bill directly to Quadvest.

### **Wastewater Collection and Treatment**

The wastewater collection and wastewater treatment facilities are being provided by Quadvest operating under Certificate of Convenience and Necessity No. 20952 ("CNN No. 20952"). The wastewater treatment plant serving the District is located on an 11.0-acre reserve situated approximately 1.62 miles south of the District on Bauer Road. The wastewater treatment plant and the wastewater collection lines servicing the District are owned by and have been financed by Quadvest. According to Quadvest, the wastewater treatment plant serving the District currently has sufficient capacity to serve the approximately 1,277 ESFCs located within the District with a current plant rating of 200 gallons per ESFC per day. The wastewater treatment plant is currently running at 54% of its capacity based on actual flows received. According to Quadvest, the wastewater collection and wastewater treatment facilities servicing the District will ultimately be sized to serve the approximately 1,367 ESFCs anticipated at full development with additional ESFCs in reserve. The residents in the District currently pay their monthly sewer bill directly to Quadvest.

### **Drainage and Detention**

The drainage and detention system serving Bauer Landing, Sections 1 – 9 is complete. The natural drainage patterns of the land located in the District are such that the majority of the land located in the southern portion of the District gradually slopes toward a drainage ditch along FM 2920 and the majority of the land located in the northern portion of the District slopes north toward Spring Creek. Spring Creek forms the northern boundary of the District. The majority of the land in the District is located within the Spring Creek Watershed, while some of the land in the District is located within the Little Cypress Creek Watershed. Prior to development, surface drainage in the northern portion of the District discharged via overland flow into Spring Creek, while drainage in the southern portion of the District eventually discharged into Little Cypress Creek.

The District includes a functional storm drainage collection, transmission, detention system, and storm water quality mitigation system, which includes two detention basin outfalls that serve the entire District. The storm drainage in the District complements the concrete curb-and-gutter paved streets. The storm drainage collection, transmission, detention, and storm water quality facilities are operated and maintained by the District.

None of the developed lots in the District are located within the 100-year flood plain.

### **Regulation**

According to the Engineer, the water and wastewater facilities constructed by Quadvest and the drainage facilities constructed by the District have been designed in accordance with accepted engineering practices and the recommendations of the Texas Department of Health, the TCEQ, Harris County Flood Control District, Harris County, and the City of Houston, as applicable. Construction and operation of the facilities are subject to the inspection of the TCEQ and the Environmental Protection Agency as well as the aforementioned agencies. Groundwater withdrawal from the water plants is regulated by the Harris-Galveston Subsidence District.

Additionally, Quadvest must receive approval of the Public Utility Commission of Texas ("PUC") for any change in the water or sewer rates that it charges to the residents in the District. The water and sewer tariff that is currently in place for the residents of the District is the water tariff and the sewer tariff that the PUC has approved for Quadvest customers in this area of the state.

## **WATER AND SEWER SERVICE FOR RESIDENTS IN THE DISTRICT**

The District does not own or operate water supply and water distribution or wastewater collection and wastewater treatment facilities. As noted elsewhere in this Official Statement, the District's residents are served by water supply and distribution and wastewater collection and treatment facilities that are owned and operated by Quadvest. The District's residents pay their monthly water and sewer bill directly to Quadvest. See "DESCRIPTION OF THE DISTRICT'S SYSTEM."

The information included in the tables below relating to the water and sewer rates paid by the District's residents is provided for informational purposes only.

### **Water Rates**

<b><u>Meter Size</u></b>	<b><u>Monthly Minimum Charge</u></b>	<b><u>Per Gallon</u></b>
5/8" or 3/4"	\$28.33 (includes 0 gallons)	\$1.75 per 1,000 gallons for the first 10,000 gallons
1"	\$70.83	\$2.00 per 1,000 gallons from 10,001 to 20,000 gallons
		\$2.25 per 1,000 gallons from 20,001 to 30,000 gallons
		\$2.93 per 1,000 gallons thereafter
Pass Through Fee (North Harris County Regional Water Authority): \$5.41 per 1,000 gallons on all gallons		

### **Sewer Rates**

<b><u>Meter Size</u></b>	<b><u>Monthly Flat Rate</u></b>
5/8"	\$71.34
3/4"	\$71.34
1"	\$71.34

## **MANAGEMENT OF THE DISTRICT**

The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Two of the five members of the Board own property and reside within the District. The remaining three members of the Board do not reside within the District, but own a parcel of land in the District subject to a note and deed of trust. A Director's election is held on the first Saturday in May of each even-numbered year. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their terms, are listed below:

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires May</u></b>
Donn Land	President	2024
Don R. Riggs	Vice President	2024
Juan M. Olivo	Treasurer	2022
Kameron Pugh	Secretary	2024
Keith Arrant	Assistant Secretary	2022

The District does not have a general manager or any other full-time employees, but has contracted for services as follows:

**Bookkeeper** – The District has contracted with McLennan & Associates, L.P. for bookkeeping services.

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

**Utility System Operator** – As noted elsewhere in this Official Statement, water service and sewer service are provided to the residents of the District by Quadvest. Quadvest is a private water supply company that currently provides water and/or sewer service to approximately 70 different subdivisions and 17,500 customers in Texas.

**Auditor** – The financial statements of the District as of December 31, 2020, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, Certified Public Accountants, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's December 31, 2020, audited financial statements.

**Engineer** – The consulting engineer for the District is Pape-Dawson Engineers, Inc. (the "Engineer").

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

**Bond Counsel/Attorney** – The District employs Johnson Petrov LLP to serve as its general counsel and as Bond Counsel in connection with the issuance of the Bonds. The fees paid to Johnson Petrov LLP in its capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

## 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.

## GENERAL FUND OPERATING HISTORY

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

	<u>Fiscal Year Ended December 31 (a)</u>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>					
Property taxes	\$419,195	\$420,254	\$347,325	\$377,781	-
Investment earnings	\$5,681	\$12,327	\$7,857	-	-
<b>TOTAL REVENUES</b>	<b><u>\$424,876</u></b>	<b><u>\$432,581</u></b>	<b><u>\$355,182</u></b>	<b><u>\$377,781</u></b>	<b><u>-</u></b>
<b>EXPENDITURES</b>					
Operating and administrative					
Professional fees	\$65,080	\$92,713	\$62,255	\$90,180	\$78,293
Contracted services	\$17,618	\$16,420	\$17,698	\$13,570	\$3,814
Repairs and maintenance	\$170,762	\$178,547	\$136,269	\$8,776	-
Administrative	\$13,593	\$9,531	\$12,738	\$12,813	\$6,765
Other	\$1,675	\$2,100	-	-	-
Capital outlay	\$77,975	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b><u>\$346,703</u></b>	<b><u>\$299,311</u></b>	<b><u>\$228,960</u></b>	<b><u>\$125,339</u></b>	<b><u>\$88,872</u></b>
<b>EXCESS REVENUES / (EXPENDITURES) (b)</b>	<b><u>\$78,173</u></b>	<b><u>\$133,270</u></b>	<b><u>\$126,222</u></b>	<b><u>\$252,442</u></b>	<b><u>(\$88,872)</u></b>

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

(b) As of January 5, 2022, the District's General Fund had an unaudited cash and investment balance of \$770,575. For the fiscal year ended December 31, 2021, the District's General Fund experienced unaudited revenues of approximately \$461,044 and unaudited expenditures of approximately \$239,029. For the fiscal year ending December 31, 2022, the District's General Fund is currently budgeting revenues of approximately \$507,834 and expenditures of approximately \$248,070.



### DISTRICT DEBT

12/1/2021 Estimated Taxable Value	\$257,235,551	(a)
2021 Certified Taxable Value	\$203,286,668	(b)

Direct Debt:

Remaining Outstanding Bonds	\$9,070,000	(c)
The Bonds	<u>\$5,440,000</u>	
Total Direct Debt	\$14,510,000	

Estimated Overlapping Debt	<u>\$16,536,218</u>	(d)
Direct and Estimated Overlapping Debt	\$31,046,218	

Percentage of Direct Debt to:

12/1/2021 Estimated Taxable Value	5.64%
2021 Certified Taxable Value	7.14%

Percentage of Direct and Estimated Overlapping Debt to:

12/1/2021 Estimated Taxable Value	12.07%
2021 Certified Taxable Value	15.27%

2021 District Tax Rate Per \$100 of Assessed Value:

Debt Service Tax	\$0.41
Maintenance Tax	<u>\$0.34</u>
Total 2021 District Tax Rate	\$0.75

Cash and Temporary Investment Balances as of January 5, 2022:

General Fund	\$770,575	(e)
Debt Service Fund	\$386,107	(f)

- 
- (a) Reflects data supplied by HCAD. The Estimated Taxable Value as of December 1, 2021, was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2021 Certified Taxable Value according to data supplied to the District by HCAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) Excludes the Refunded Bonds. See "PLAN OF FINANCING – Outstanding Bonds."
- (d) See "Estimated Overlapping Debt" herein.
- (e) Unaudited figure per the District's records. See "GENERAL FUND OPERATING HISTORY."
- (f) 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 – Tax Adequacy of Tax Revenue."

### 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.

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Waller Independent School District	\$377,370,000	4.13%	\$15,594,579
Harris County	\$1,236,942,125	0.04%	\$482,781
Harris County Department of Education	\$20,185,000	0.04%	\$7,876
Harris County Flood Control District	\$584,900,000	0.04%	\$232,224
Harris County Hospital District	\$81,540,000	0.04%	\$32,367
Port of Houston Authority	\$469,434,397	0.04%	\$186,391
<b>Total Estimated Overlapping Debt</b>			<b>\$16,536,218</b>
<b>The District (a)</b>			<b>\$14,510,000</b>
<b>Total Direct and Estimated Overlapping Debt</b>			<b>\$31,046,218</b>

(a) Includes the Bonds; excludes the Refunded Bonds.

### DISTRICT TAX DATA

#### Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the year 2017 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.

<u>Tax Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate (a)</u>	<u>Tax Levy</u>	<u>Cumulative Collections Total (b)</u>	<u>Fiscal Year Ending September 30</u>
2021	\$203,286,668	\$0.75	\$1,524,650	(c)	(c)
2020	\$152,117,336	\$0.77	\$1,171,303	100%	2021
2019	\$120,352,953	\$0.77	\$926,718	100%	2020
2018	\$93,338,003	\$0.77	\$718,703	100%	2019
2017	\$69,671,298	\$0.77	\$536,469	100%	2018

(a) See "Tax Rate Distribution" herein.

(b) Represents cumulative collections as of November 30, 2021.

(c) The 2021 tax levy is in the process of collections; such taxes become delinquent if not paid before February 1, 2022. See "TAXING PROCEDURES." According to the District's records as of January 5, 2022, the 2021 taxes were approximately 81% collected.

#### Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements. 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 which may be issued in the future. The District's voters authorized an unlimited maintenance tax at an election held on November 4, 2014.

#### Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2017 through 2021.

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$0.41	\$0.47	\$0.42	\$0.32	\$0.28
Maintenance/Operation	\$0.34	\$0.30	\$0.35	\$0.45	\$0.49
<b>Total</b>	<b>\$0.75</b>	<b>\$0.77</b>	<b>\$0.77</b>	<b>\$0.77</b>	<b>\$0.77</b>

### **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 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 July 1 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.

<b><u>Property Owner</u></b>	<b><u>Property Description</u></b>	<b><u>Property Value</u></b>	<b><u>Percent of Total</u></b>
LGI Homes Texas LLC	Land, Improvements, Personal Property	\$14,783,280	7.27%
AH4R Properties LLC	Land and Improvements	\$1,462,000	0.72%
Opendoor Property Trust I	Land and Improvements	\$879,763	0.43%
Centerpoint Energy Hou Ele	Personal Property	\$691,940	0.34%
Quadvest LP	Land and Improvements	\$654,407	0.32%
SFR JV 2 Acquisition LLC	Land and Improvements	\$426,614	0.21%
Homeowner	Land and Improvements	\$329,472	0.16%
Homeowner	Land and Improvements	\$324,013	0.16%
Homeowner	Land and Improvements	\$322,701	0.16%
Homeowner	Land and Improvements	\$320,331	0.16%
<b>TOTALS</b>		<b>\$20,194,521</b>	<b>9.93%</b>

(a) See "THE DISTRICT – The Developer."

### **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 deferments for 2017 through 2021, and includes the December 1, 2021 Estimated Taxable Value.

<b><u>Tax Roll Year</u></b>	<b><u>Type of Property</u></b>			<b><u>Gross Valuations</u></b>	<b><u>Exemptions</u></b>	<b><u>Taxable Valuation</u></b>	
	<b><u>Land</u></b>	<b><u>Improvements</u></b>	<b><u>Personal Property</u></b>				
12/1/2021						\$257,235,551	(a)
2021	\$43,672,335	\$161,989,960	\$793,321	\$206,455,616	\$3,168,948	\$203,286,668	(b)
2020	\$32,239,251	\$121,440,133	\$745,296	\$154,424,680	\$2,307,344	\$152,117,336	
2019	\$26,087,497	\$95,020,262	\$654,033	\$121,761,792	\$1,408,839	\$120,352,953	
2018	\$18,241,261	\$75,369,793	\$504,323	\$94,115,377	\$777,374	\$93,338,003	
2017	\$19,990,358	\$50,052,460	\$156,094	\$70,198,912	\$527,614	\$69,671,298	

(a) Reflects data supplied by HCAD. The Estimated Taxable Value as of December 1, 2021, was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

(b) Reflects the January 1, 2021 Certified Taxable Value according to data supplied to the District by HCAD. 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.

<b>Taxing Entities</b>	<b>2021 Tax Rates</b>
Waller Independent School District	\$1.320900
Harris County (a)	\$0.586340
Harris County Emergency Service District No. 21	\$0.099212
Harris County Emergency Service District No. 3	\$0.099186
<b>Overlapping Taxes</b>	<b>\$2.105638</b>
 The District	 \$0.750000
<b>Total Direct and Overlapping</b>	<b>\$2.855638</b>

(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.

### **Tax Adequacy of Tax Revenue**

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the values noted in the table below 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 (2045).....	\$916,128
 \$0.38 debt service tax rate on the December 1, 2021 Estimated Taxable Value of \$257,235,551 at 95% collections produces .....	 \$928,620
 \$0.48 debt service tax rate on the 2021 Certified Taxable Value of \$203,286,668 at 95% collections produces .....	 \$926,987

### **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**

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by HCAD. HCAD have the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the "Appraisal Review Board"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be

required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

***Freeport Goods and Goods-in-Transit Exemptions.*** A "Freeport Exemption" applies to goods, wares, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for 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, either the City, Harris County, 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 property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by 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 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price

all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation, and the chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

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 years. It is not known what frequency of reappraisal will be utilized by HCAD 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.

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

### **District and Taxpayer Remedies**

Under certain circumstances, taxpayers and taxing units (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 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

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

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and

maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "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 and the City, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units. See "DISTRICT TAX DATA – Estimated Overlapping Taxes." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

## **ANNEXATION AND CONSOLIDATION**

### **Annexation by the City of Houston**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City ordinance consenting to the creation of the District. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, 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. The District does not currently have a strategic partnership agreement with the City and no such agreement is contemplated.

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

### **Consolidation**

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

## **THE BONDS**

### **General**

The Bonds are dated March 1, 2022, and will mature on March 1 in the years and in the amounts set forth on the cover page of this Official Statement. Interest on the Bonds accrues from March 1, 2022, and is payable on September 1, 2022, and each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

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

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

### **Authority for Issuance**

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, 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 51, Texas Water Code, as amended, Chapter 1207, Texas Government Code, as amended, an election held within the District, and City of Houston Ordinance No. 97-416.

### **Optional Redemption of the Bonds**

The District reserves the right to redeem, prior to maturity, the Bonds maturing on or after March 1, 2028, in whole or from time to time in part on March 1, 2027, or on any date thereafter, at a price of par plus accrued interest from the most recent interest payment date 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. Notice of each exercise of the right of redemption will be given at least 30 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 of the Bonds**

The Bonds maturing March 1 in the years 2037 and 2045 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown in the tables below.

#### **\$515,000 Term Bonds, due March 1, 2037**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2036	\$260,000
March 1, 2037 (maturity)	\$255,000

#### **\$2,340,000 Term Bonds, due March 1, 2045**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
March 1, 2038	\$255,000
March 1, 2039	\$275,000
March 1, 2040	\$275,000
March 1, 2041	\$295,000
March 1, 2042	\$290,000
March 1, 2043	\$310,000
March 1, 2044	\$310,000
March 1, 2045 (maturity)	\$330,000

### **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, 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 Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision or a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating

firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

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

### **Funds**

The Bond Order confirms the 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, the Outstanding 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 is 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" above 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 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 forty-five (45) calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

### **Lost, Stolen or Destroyed Bonds**

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

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

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

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

(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns,

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

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

### **Issuance of Additional Debt**

If authorized by the District's voters and with the approval of the TCEQ, the District may issue bonds necessary to provide and maintain improvements for which the District was created. See "THE DISTRICT – Authority." The District's voters have authorized the issuance of a total of \$50,000,000 of unlimited tax bonds for water, sewer, and drainage facilities. The District has a total of \$35,505,000 of unlimited tax bonds for water, sewer, and drainage facilities that remain authorized but unissued. The District's voters have additionally authorized the issuance of unlimited tax refunding bonds in an amount equal to one and one-half times the outstanding principal amount of new money unlimited tax bonds from time to time. See "RISK FACTORS – Future Debt." The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District, and in the Bond Order the District reserves the right to issue additional unlimited tax bonds, revenue bonds, inferior lien bonds and refunding bonds.

### **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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial

ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners.

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish the Underwriter a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of 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 Johnson Petrov 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 is not an item of preference for purposes of the federal alternative minimum tax. 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, Johnson Petrov 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," "THE BONDS," "LEGAL MATTERS – Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and "– Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the procedures 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.

Johnson Petrov 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-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.

### **No Material Adverse Change**

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

### **TAX MATTERS**

In the opinion of Johnson Petrov LLP, Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and interest on the Bonds is not an item of preference for purposes of the federal alternative minimum tax.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Order pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor, and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor, and the Underwriter, respectively, which Bond Counsel has not independently verified. The District will further rely on the report of Robert Thomas, CPA, regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the 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 interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

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

Prospective purchasers of the Bonds should be aware that the ownership of tax obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax obligations, taxpayers owning an interest in a financial asset securitization investment trust that holds tax 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 interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations

and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

### **Tax Accounting Treatment of Original Issue Discount Bonds**

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") 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.

### **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 designated by the District as "qualified tax-exempt obligations" and 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 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.



## **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.

## **VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS**

Robert Thomas CPA, LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash deposited to pay the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, (b) the mathematical computations related to certain requirements of the City of Houston Ordinance No. 97-416, as amended, and (c) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

Robert Thomas CPA, LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Robert Thomas CPA, LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

## **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. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **Consultants**

In approving this Official Statement, the District has relied upon the following consultants.

**Engineer** – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "DESCRIPTION OF THE DISTRICT'S SYSTEM," certain information contained in the section entitled "RISK FACTORS – Hurricane Harvey," and certain engineering matters included in "THE DISTRICT – Description," "THE DISTRICT – Land Uses and Status of Land Development," and "THE DISTRICT – Status of Residential Development," (as it relates to acreage and lot counts) have been provided by Pape-Dawson Engineers, Inc., and have been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

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

**Auditor** – The financial statements of the District as of December 31, 2020, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, Certified Public Accountants, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's December 31, 2020, audited financial statements.

### **Continuing Availability of Financial Information**

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing

standards within 120 days after the close of its fiscal year. The District audit report is required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, Texas 77019.

#### **Updating of Official Statement**

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

#### **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.

#### **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 Bauer Landing Water Control and Improvement District as of the date shown on the cover page.

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**

**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020**

**BAUER LANDING WATER CONTROL  
AND IMPROVEMENT DISTRICT**

**HARRIS COUNTY, TEXAS**

**FINANCIAL REPORT**

**December 31, 2020**



## Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		5
<b>BASIC FINANCIAL STATEMENTS</b>		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Basic Financial Statements		17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule – General Fund		32
Notes to Required Supplementary Information		33
<b>TEXAS SUPPLEMENTARY INFORMATION</b>		
Services and Rates	TSI-1	36
General Fund Expenditures	TSI-2	38
Investments	TSI-3	39
Taxes Levied and Receivable	TSI-4	40
Long-Term Debt Service Requirements by Years	TSI-5	41
Change in Long-Term Bonded Debt	TSI-6	45
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	46
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	48
Board Members, Key Personnel and Consultants	TSI-8	50





# McGRATH & CO., PLLC

*Certified Public Accountants*  
2500 Tanglewilde, Suite 340  
Houston, Texas 77063

## Independent Auditor's Report

Board of Directors  
Bauer Landing Water Control and Improvement District  
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Bauer Landing Water Control and Improvement District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 principles 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 to provide a basis for our audit opinions.

***Board of Directors  
Bauer Landing Water Control and Improvement District  
Harris County, Texas***

**Opinion**

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 Bauer Landing Water Control and Improvement District, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in conformity 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 information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*McGuath & Co, PC*

Houston, Texas  
May 4, 2021

## **Management's Discussion and Analysis**

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***Bauer Landing Water Control and Improvement District  
Management's Discussion and Analysis  
December 31, 2020***

## **Using this Annual Report**

Within this section of the financial report of Bauer Landing Water Control and Improvement District (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2020. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

## **Overview of the Financial Statements**

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

## **Government-Wide Financial Statements**

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Bauer Landing Water Control and Improvement District  
Management's Discussion and Analysis  
December 31, 2020***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

**Fund Financial Statements**

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. 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, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

**Financial Analysis of the District as a Whole**

The District's net position at December 31, 2020, was negative \$2,297,461. A comparative summary of the District's overall financial position, as of December 31, 2020 and 2019, is as follows:

	2020	2019
Current and other assets	\$ 2,905,895	\$ 1,793,005
Capital assets	11,506,852	10,009,681
Total assets	14,412,747	11,802,686
Current liabilities	306,640	272,400
Long-term liabilities	15,230,433	12,450,000
Total liabilities	15,537,073	12,722,400
Total deferred inflows of resources	1,173,135	920,654
Net position		
Net investment in capital assets	(3,002,280)	(2,418,533)
Restricted	112,588	99,333
Unrestricted	592,231	478,832
Total net position	\$ (2,297,461)	\$ (1,840,368)

***Bauer Landing Water Control and Improvement District  
Management's Discussion and Analysis  
December 31, 2020***

The total net position of the District decreased during the current fiscal year by \$457,093. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2020	2019
Revenues		
Property taxes, penalties and interest	\$ 930,780	\$ 722,253
Other	9,820	25,379
Total revenues	<u>940,600</u>	<u>747,632</u>
Expenses		
Operating and administrative	315,665	360,406
Debt interest and fees	357,269	310,943
Developer interest	143,577	416,162
Debt issuance costs	397,299	358,391
Depreciation	183,883	134,513
Total expenses	<u>1,397,693</u>	<u>1,580,415</u>
Change in net position	(457,093)	(832,783)
Net position, beginning of year	(1,840,368)	(1,007,585)
Net position, end of year	<u>\$ (2,297,461)</u>	<u>\$ (1,840,368)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances, as of December 31, 2020, were \$1,674,544, which consists of \$590,649 in the General Fund, \$237,594 in the Debt Service Fund and \$846,301 in the Capital Projects Fund.

*General Fund*

A comparative summary of the General Fund's financial position as of December 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 1,088,618</u>	<u>\$ 963,066</u>
Total liabilities	\$ 39,321	\$ 31,819
Total deferred inflows	458,648	418,771
Total fund balance	590,649	512,476
Total liabilities, deferred inflows and fund balance	<u>\$ 1,088,618</u>	<u>\$ 963,066</u>

***Bauer Landing Water Control and Improvement District  
Management's Discussion and Analysis  
December 31, 2020***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2020	2019
Total revenues	\$ 424,876	\$ 432,581
Total expenditures	(346,703)	(299,311)
Revenues over expenditures	<u>\$ 78,173</u>	<u>\$ 133,270</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2019 levy was recognized as revenues in the 2020 fiscal year, while the 2018 levy was recognized in the 2019 fiscal year (to the extent that these amounts were collected). Property tax revenues decreased from prior year because the District decreased the maintenance and operations component of the levy.

***Debt Service Fund***

A comparative summary of the Debt Service Fund's financial position as of December 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 962,907</u>	<u>\$ 717,088</u>
Total liabilities	\$ 7,345	\$ 1,753
Total deferred inflows	717,968	502,382
Total fund balance	<u>237,594</u>	<u>212,953</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 962,907</u>	<u>\$ 717,088</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2020	2019
Total revenues	\$ 511,674	\$ 307,849
Total expenditures	(487,033)	(274,626)
Revenues over expenditures	<u>\$ 24,641</u>	<u>\$ 33,223</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.



***Bauer Landing Water Control and Improvement District  
Management's Discussion and Analysis  
December 31, 2020***

***Capital Projects Fund***

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2020 and 2019 is as follows:

	2020	2019
Total assets	<u>\$ 854,370</u>	<u>\$ 112,851</u>
Total liabilities	\$ 8,069	\$ -
Total fund balance	<u>846,301</u>	<u>112,851</u>
Total liabilities and fund balance	<u>\$ 854,370</u>	<u>\$ 112,851</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2020	2019
Total revenues	\$ 1,067	\$ 6,710
Total expenditures	<u>(3,908,682)</u>	<u>(4,279,411)</u>
Revenues under expenditures	(3,907,615)	(4,272,701)
Other changes in fund balance	<u>4,641,065</u>	<u>4,064,521</u>
Net change in fund balance	<u>\$ 733,450</u>	<u>\$ (208,180)</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2020 Unlimited Tax Bonds in the current year and the sale of its Series 2019 Unlimited Tax Bonds in the prior year.

**General Fund Budgetary Highlights**

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$94,735 less than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

**Capital Assets**

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

***Bauer Landing Water Control and Improvement District  
Management's Discussion and Analysis  
December 31, 2020***

Capital assets held by the District at December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Capital assets not being depreciated		
Land and improvements	\$ 3,893,854	\$ 4,434,384
Capital assets being depreciated		
Drainage facilities	8,274,740	6,053,156
Less accumulated depreciation	(661,742)	(477,859)
Depreciable capital assets, net	7,612,998	5,575,297
Capital assets, net	\$ 11,506,852	\$ 10,009,681

Capital asset additions during the current year include the following:

- Drainage facilities to serve Bauer Landing, Section 7
- Drainage facilities to serve Bauer Sunlight Drive, Section 1
- Bauer Landing Stormwater Pump Station Access Road

**Long-Term Debt and Related Liabilities**

As of December 31, 2020, the District owes approximately \$1,129,897 to its developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At December 31, 2020 and 2019, the District had total bonded debt outstanding as shown below:

Series	2020	2019
2017	\$ 5,575,000	\$ 5,700,000
2019	4,120,000	4,120,000
2020	4,675,000	
	\$ 14,370,000	\$ 9,820,000

During the current year, the District issued \$4,675,000 in unlimited tax bonds. At December 31, 2020, the District had \$35,505,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the drainage systems within the District. Additionally, the District's voters have authorized the issuance of unlimited tax refunding bonds in an amount equal to one and one half times the outstanding principal amount of new money tax bonds.

***Bauer Landing Water Control and Improvement District  
Management's Discussion and Analysis  
December 31, 2020***

**Next Year's Budget**

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District and providing services to customers. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	<u>2020 Actual</u>	<u>2021 Budget</u>
Total revenues	\$ 424,876	\$ 417,538
Total expenditures	<u>(346,703)</u>	<u>(253,132)</u>
Revenues over expenditures	78,173	164,406
Beginning fund balance	<u>512,476</u>	<u>590,649</u>
Ending fund balance	<u>\$ 590,649</u>	<u>\$ 755,055</u>

**Property Taxes**

The District's property tax base increased approximately \$31,984,000 for the 2020 tax year from \$120,370,864 to \$152,355,135. This increase was primarily due to new construction in the District. For the 2020 tax year, the District has levied a maintenance tax rate of \$0.30 per \$100 of assessed value and a debt service tax rate of \$0.47 per \$100 of assessed value, for a total combined tax rate of \$0.77 per \$100. Tax rates for the 2019 tax year were \$0.35 per \$100 for maintenance and operations and \$0.42 per \$100 for debt service for a combined total of \$0.77 per \$100 of assessed value.

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

As further discussed in Note 10, the World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory virus currently affecting many parts of the world, including the United States and Texas. The pandemic has negatively affected the economic growth and financial markets worldwide and within Texas. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak could have an adverse effect on the District's operations and financial condition by negatively affecting property taxes and ad valorem tax revenues within the District.

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## **Basic Financial Statements**

***Bauer Landing Water Control and Improvement District  
Statement of Net Position and Governmental Funds Balance Sheet  
December 31, 2020***

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
<b>Assets</b>						
Cash	\$ 13,210	\$ 1,076,845	\$ 769,360	\$ 1,859,415	\$ -	\$ 1,859,415
Investments	569,884	239,493	142,837	952,214		952,214
Taxes receivable	36,953	57,313		94,266		94,266
Internal balances	468,571	(410,744)	(57,827)			
Capital assets not being depreciated					3,893,854	3,893,854
Capital assets, net					7,612,998	7,612,998
Total Assets	<u>\$ 1,088,618</u>	<u>\$ 962,907</u>	<u>\$ 854,370</u>	<u>\$ 2,905,895</u>	<u>11,506,852</u>	<u>14,412,747</u>
<b>Liabilities</b>						
Accounts payable	\$ 39,321	\$ 65	\$ 8,069	\$ 47,455		47,455
Other payables		4,156		4,156		4,156
Accrued interest payable		3,124		3,124	126,905	130,029
Due to developer					1,129,897	1,129,897
Long-term debt						
Due within one year					125,000	125,000
Due after one year					14,100,536	14,100,536
Total Liabilities	<u>39,321</u>	<u>7,345</u>	<u>8,069</u>	<u>54,735</u>	<u>15,482,338</u>	<u>15,537,073</u>
<b>Deferred Inflows of Resources</b>						
Deferred property taxes	<u>458,648</u>	<u>717,968</u>		<u>1,176,616</u>	<u>(3,481)</u>	<u>1,173,135</u>
<b>Fund Balances/Net Position</b>						
<b>Fund Balances</b>						
Restricted		237,594	846,301	1,083,895	(1,083,895)	
Unassigned	<u>590,649</u>			<u>590,649</u>	<u>(590,649)</u>	
Total Fund Balances	<u>590,649</u>	<u>237,594</u>	<u>846,301</u>	<u>1,674,544</u>	<u>(1,674,544)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,088,618</u>	<u>\$ 962,907</u>	<u>\$ 854,370</u>	<u>\$ 2,905,895</u>		
<b>Net Position</b>						
Net investment in capital assets					(3,002,280)	(3,002,280)
Restricted for debt service					112,588	112,588
Unrestricted					592,231	592,231
Total Net Position					<u>\$(2,297,461)</u>	<u>\$(2,297,461)</u>

See notes to basic financial statements.

***Bauer Landing Water Control and Improvement District***  
***Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances***  
***For the Year Ended December 31, 2020***

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>						
Property taxes	\$ 419,195	\$ 503,289	\$ -	\$ 922,484	\$ 2,983	\$ 925,467
Penalties and interest		5,313		5,313		5,313
Investment earnings	5,681	3,072	1,067	9,820		9,820
Total Revenues	<u>424,876</u>	<u>511,674</u>	<u>1,067</u>	<u>937,617</u>	<u>2,983</u>	<u>940,600</u>
<b>Expenditures/Expenses</b>						
Operating and administrative						
Professional fees	65,080		23,316	88,396		88,396
Contracted services	17,618	20,860		38,478		38,478
Repairs and maintenance	170,762			170,762		170,762
Administrative	13,593	2,761		16,354		16,354
Other	1,675			1,675		1,675
Capital outlay	77,975		3,344,490	3,422,465	(3,422,465)	
Debt service						
Principal		125,000		125,000	(125,000)	
Interest and fees		338,412		338,412	18,857	357,269
Developer interest			143,577	143,577		143,577
Debt issuance costs			397,299	397,299		397,299
Depreciation					183,883	183,883
Total Expenditures/Expenses	<u>346,703</u>	<u>487,033</u>	<u>3,908,682</u>	<u>4,742,418</u>	<u>(3,344,725)</u>	<u>1,397,693</u>
<b>Revenues Over/(Under) Expenditures</b>	78,173	24,641	(3,907,615)	(3,804,801)	3,804,801	
<b>Other Financing Sources/(Uses)</b>						
Proceeds from sale of bonds			4,675,000	4,675,000	(4,675,000)	
Repayment of operating advances			(33,935)	(33,935)	33,935	
<b>Net Change in Fund Balances</b>	78,173	24,641	733,450	836,264	(836,264)	
<b>Change in Net Position</b>					(457,093)	(457,093)
Fund Balance/Net Position						
Beginning of the year	<u>512,476</u>	<u>212,953</u>	<u>112,851</u>	<u>838,280</u>	<u>(2,678,648)</u>	<u>(1,840,368)</u>
<b>End of the year</b>	<u>\$ 590,649</u>	<u>\$ 237,594</u>	<u>\$ 846,301</u>	<u>\$ 1,674,544</u>	<u>\$(3,972,005)</u>	<u>\$(2,297,461)</u>

See notes to basic financial statements.

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***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of Bauer Landing Water Control and Improvement District (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

**Creation**

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated August 5, 2014, and operates in accordance with Article XVI, Section 59 of the Texas Constitution and the Texas Water Code, Chapters 49 and 51. The Board of Directors held its first meeting on August 8, 2014, and the first bonds were issued on August 10, 2017.

The District’s primary activities include construction, maintenance and operation of drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

**Reporting Entity**

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

**Government-Wide and Fund Financial Statements**

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Government-Wide and Fund Financial Statements (continued)**

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's drainage facilities.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

**Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At December 31, 2020, an allowance for uncollectible accounts was not considered necessary.

**Interfund Activity**

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

**Capital Assets**

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist drainage facilities, are depreciated using the straight-line method over an estimated useful life of 45 years. The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

**Deferred Inflows and Outflows of Financial Resources**

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources. Additionally, collections of the 2020 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2020 property tax levy, which was levied to finance the 2021 fiscal year.

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Net Position – Governmental Activities**

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

**Fund Balances – Governmental Funds**

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

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

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 2 – Adjustment from Governmental to Government-wide Basis**

**Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position***

Total fund balance, governmental funds	\$ 1,674,544
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 12,168,594	
Less accumulated depreciation	<u>(661,742)</u>	
Change due to capital assets		11,506,852

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Bonds payable, net	(14,225,536)	
Interest payable on bonds	<u>(126,905)</u>	
Change due to long-term debt		(14,352,441)

Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the *Statement of Net Position*.

(1,129,897)

The unavailable portion of property taxes receivable and collections of the 2020 property tax levy are reported as deferred inflows in the fund financial statements. In the government wide statements, however, deferred inflows consist of the entire 2020 property tax levy.

Fund level deferred property taxes	1,176,616	
Government wide level deferred property taxes	<u>(1,173,135)</u>	
		3,481

Total net position - governmental activities

\$ (2,297,461)

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 2 – Adjustment from Governmental to Government-wide Basis (continued)**

***Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities***

Net change in fund balances - total governmental funds	\$	836,264
--	----	---------

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes.

		2,983
--	--	-------

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 3,422,465		
Depreciation expense	(183,883)		
			3,238,582

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long-term debt	(4,675,000)		
Principal payments	125,000		
Interest expense accrual	(18,857)		
			(4,568,857)

Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but are recorded as a reduction to the liability in the *Statement of Net Position*.

		33,935
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Change in net position of governmental activities	\$	(457,093)
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***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 3 – Deposits and Investments**

**Deposit Custodial Credit Risk**

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

**Investments**

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or 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, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of December 31, 2020, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
Texas CLASS	General	\$ 569,884		
	Debt Service	239,493		
	Capital Projects	142,837		
Total		<u>\$ 952,214</u>	AAAm	49 days



***Bauer Landing Water Control and Improvement District  
Notes to Basic Financial Statements  
December 31, 2020***

**Note 3 – Deposits and Investments (continued)**

**Texas CLASS**

The District participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and Wells Fargo Bank as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

**Investment Credit and Interest Rate Risk**

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

**Note 4 – Interfund Balances and Transactions**

Amounts due to/from other funds at December 31, 2020, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 410,744	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	57,827	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 5 – Capital Assets**

A summary of changes in capital assets, for the year ended December 31, 2020, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 4,434,384	\$ (540,530)	\$ 3,893,854
Capital assets being depreciated			
Drainage facilities	6,053,156	2,221,584	8,274,740
Less accumulated depreciation	(477,859)	(183,883)	(661,742)
Subtotal depreciable capital assets, net	5,575,297	2,037,701	7,612,998
Capital assets, net	\$ 10,009,681	\$ 1,497,171	\$ 11,506,852

Depreciation expense for the current year was \$183,883.

**Note 6 – Due to Developer**

The District has entered into a financing agreement with its developer for the financing of the construction of drainage improvements. Under the agreements, the developer will advance funds for the construction of facilities to serve the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

The District's developer has also advanced funds to the District for operating expenses.

Changes in the estimated amounts due to developer during the year are as follows:

Due to developer, beginning of year	\$ 2,905,243
Developer reimbursements	(3,344,490)
Developer funded construction and adjustments	1,603,079
Repayment of operating advances	(33,935)
Due to developer, end of year	<u>\$ 1,129,897</u>

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 7 – Long-Term Debt**

Long-term debt is comprised of the following:

Bonds payable	\$ 14,370,000
Unamortized discounts	(144,464)
	<u>\$ 14,225,536</u>
Due within one year	<u>\$ 125,000</u>

The District's bonds payable at December 31, 2020, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2017	\$ 5,575,000	\$ 5,700,000	2.00% - 3.875%	March 1, 2020/2045	March 1, September 1,	March 1, 2022
2019	4,120,000	4,120,000	3.00% - 4.50%	March 1, 2022/2046	March 1, September 1,	March 1, 2024
2020	4,675,000	4,675,000	2.00% - 2.25%	March 1, 2023/2047	March 1, September 1,	March 1, 2025
	<u>\$ 14,370,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At December 31, 2020, the District had authorized but unissued bonds in the amount of \$35,505,000 for drainage improvements. Additionally, the District's voters have authorized the issuance of unlimited bonds in an amount equal to one and one half times the outstanding principal amount of new money tax bonds.

On November 12, 2020, the District issued its \$4,675,000 Series 2020 Unlimited Tax Bonds at a net effective interest rate of 2.396822%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering, clearing and grubbing, and other costs associated with the construction of capital assets; the acquisition of land for certain District facilities; operating advances and (2) to pay developer interest at the net effective interest rate of the bonds.

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 7 – Long-Term Debt (continued)**

The change in the District’s long-term debt during the year is as follows:

Bonds payable, beginning of year	\$	9,820,000
Bonds issued		4,675,000
Bonds retired		(125,000)
Bonds payable, end of year	\$	<u>14,370,000</u>

As of December 31, 2020, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2021	\$ 125,000	\$ 420,058	\$ 545,058
2022	200,000	432,694	632,694
2023	325,000	425,149	750,149
2024	350,000	415,574	765,574
2025	350,000	405,888	755,888
2026	400,000	395,950	795,950
2027	425,000	384,825	809,825
2028	425,000	373,237	798,237
2029	425,000	361,432	786,432
2030	500,000	348,338	848,338
2031	500,000	333,969	833,969
2032	500,000	319,382	819,382
2033	525,000	303,928	828,928
2034	575,000	286,928	861,928
2035	575,000	269,037	844,037
2036	600,000	250,429	850,429
2037	625,000	230,819	855,819
2038	650,000	210,382	860,382
2039	675,000	189,038	864,038
2040	700,000	166,819	866,819
2041	725,000	143,725	868,725
2042	775,000	119,242	894,242
2043	800,000	93,350	893,350
2044	825,000	66,693	891,693
2045	900,000	38,535	938,535
2046	570,000	15,582	585,582
2047	325,000	3,656	328,656
	<u>\$ 14,370,000</u>	<u>\$ 7,004,659</u>	<u>\$ 21,374,659</u>

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 8 – Property Taxes**

On August 8, 2014, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations without limitation. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2020 fiscal year was financed through the 2019 tax levy, pursuant to which the District levied property taxes of \$0.77 per \$100 of assessed value, of which \$0.35 was allocated to maintenance and operations and \$0.42 was allocated to debt service. The resulting tax levy was \$926,856 on the adjusted taxable value of \$120,370,864.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2020 levy collections in the amount of \$1,082,350 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2020 tax levy of \$1,173,135 is reported as deferred inflows. These amounts will be recognized as revenue in 2021.

Property taxes receivable, at December 31, 2020, consisted of the following:

Current year taxes receivable	\$ 90,785
Prior years taxes receivable	3,481
Property taxes receivable	<u>\$ 94,266</u>

**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 personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

***Bauer Landing Water Control and Improvement District***  
***Notes to Basic Financial Statements***  
***December 31, 2020***

**Note 10 – Infectious Disease Outlook (COVID-19)**

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. On March 31, 2020, the Governor issued an executive order closing all non-essential businesses in the State. This order expired on April 30, 2020. Additionally, all the counties in the greater Houston area adopted various “Work Safe – Stay Home” orders. Such actions are focused on limiting instances where the public can congregate or interact with each other. These precautions resulted in the temporary closure of all non-essential businesses in the State.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting the economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property taxes and ad valorem tax revenues within the District.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the District’s operations and financial condition.

## **Required Supplementary Information**

***Bauer Landing Water Control and Improvement District***  
***Required Supplementary Information - Budgetary Comparison Schedule - General Fund***  
***For the Year Ended December 31, 2020***

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 411,330	\$ 419,195	\$ 7,865
Investment earnings	12,000	5,681	(6,319)
Total Revenues	423,330	424,876	1,546
<b>Expenditures</b>			
Operating and administrative			
Professional fees	49,000	65,080	(16,080)
Contracted services	18,000	17,618	382
Repairs and maintenance	170,440	170,762	(322)
Administrative	12,782	13,593	(811)
Other	200	1,675	(1,475)
Capital outlay		77,975	(77,975)
Total Expenditures	250,422	346,703	(96,281)
<b>Revenues Over/(Under) Expenditures</b>	172,908	78,173	(94,735)
<b>Fund Balance</b>			
Beginning of the year	512,476	512,476	
<b>End of the year</b>	<u>\$ 685,384</u>	<u>\$ 590,649</u>	<u>\$ (94,735)</u>



***Bauer Landing Water Control and Improvement District***  
***Notes to Required Supplementary Information***  
***December 31, 2020***

**Budgets and Budgetary Accounting**

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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## **Texas Supplementary Information**

***Bauer Landing Water Control and Improvement District***  
***TSI-1. Services and Rates***  
***December 31, 2020***

1. Services provided by the District During the Fiscal Year:

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

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

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	Usage Levels
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? ☐ Yes ☐ No

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered	_____	_____	x 1.0	_____
less than 3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1.5"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	_____	_____		_____
Total Wastewater	_____	_____	x 1.0	_____

See accompanying auditor's report.

***Bauer Landing Water Control and Improvement District***  
***TSI-1. Services and Rates***  
***December 31, 2020***

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):  
(You may omit this information if your district does not provide water)

Gallons pumped into system:	<u>N/A</u>	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>N/A</u>	<u>N/A</u>

4. Standby Fees (authorized only under TWC Section 49.231):  
(You may omit this information if your district does not levy standby fees)

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

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

If yes, Date of the most recent commission Order: \_\_\_\_\_

5. Location of District (required for first audit year or when information changes,  
otherwise this information may be omitted):

Is the District located entirely within one county? Yes ☒ No ☐

County(ies) in which the District is located: Harris County

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

City(ies) in which the District is located: \_\_\_\_\_

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

Entirely ☒ Partly ☐ Not at all ☐

ETJs in which the District is located: City of Houston

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? \_\_\_\_\_

See accompanying auditors' report.

***Bauer Landing Water Control and Improvement District  
TSI-2 General Fund Expenditures  
For the Year Ended December 31, 2020***

Professional fees	
Legal	\$ 35,245
Audit	10,000
Engineering	19,835
	<u>65,080</u>
Contracted services	
Bookkeeping	<u>17,618</u>
Repairs and maintenance	<u>170,762</u>
Administrative	
Directors fees	4,800
Printing and office supplies	2,901
Insurance	3,622
Other	2,270
	<u>13,593</u>
Other	<u>1,675</u>
Capital outlay	<u>77,975</u>
Total expenditures	<u>\$ 346,703</u>

See accompanying auditors' report.

***Bauer Landing Water Control and Improvement District***  
***TSI-3. Investments***  
***December 31, 2020***

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
Texas CLASS	Variable	N/A	<u>\$ 569,884</u>
Debt Service			
Texas CLASS	Variable	N/A	<u>239,493</u>
Capital Projects			
Texas CLASS	Variable	N/A	5,151
Texas CLASS	Variable	N/A	<u>137,686</u>
			<u>142,837</u>
Total - All Funds			<u><u>\$ 952,214</u></u>

See accompanying auditors' report.

***Bauer Landing Water Control and Improvement District***  
***TSI-4. Taxes Levied and Receivable***  
***December 31, 2020***

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 36,859	\$ 44,089	\$ 80,948	
Adjustments to Prior Year Tax Levy	2,007	2,805	4,812	
Adjusted Receivable	38,866	46,894	85,760	
2020 Original Tax Levy	422,998	662,697	1,085,695	
Adjustments	34,067	53,373	87,440	
Adjusted Tax Levy	457,065	716,070	1,173,135	
Total to be accounted for	495,931	762,964	1,258,895	
Tax collections:				
Current year	421,695	660,655	1,082,350	
Prior years	37,283	44,996	82,279	
Total Collections	458,978	705,651	1,164,629	
Taxes Receivable, End of Year	\$ 36,953	\$ 57,313	\$ 94,266	
Taxes Receivable, By Years				
2020	\$ 35,370	\$ 55,415	\$ 90,785	
2019	1,582	1,899	3,481	
Taxes Receivable, End of Year	\$ 36,952	\$ 57,314	\$ 94,266	
	2020	2019	2018	2017
Property Valuations:				
Land	\$ 32,239,251	\$ 26,087,497	\$ 18,077,916	\$ 19,990,358
Improvements	121,440,133	95,020,262	75,369,793	50,052,460
Personal Property	654,761	606,158	416,240	156,094
Exemptions	(1,979,010)	(1,343,053)	(595,312)	(527,614)
Total Property Valuations	\$ 152,355,135	\$ 120,370,864	\$ 93,268,637	\$ 69,671,298
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.30	\$ 0.35	\$ 0.45	\$ 0.49
Debt service tax rates	0.47	0.42	0.32	0.28
Total Tax Rates per \$100 Valuation	\$ 0.77	\$ 0.77	\$ 0.77	\$ 0.77
Adjusted Tax Levy:	\$ 1,173,135	\$ 926,856	\$ 718,169	\$ 536,469
Percentage of Taxes Collected to Taxes Levied **	92.26%	99.93%	100.00%	100.00%

\* Unlimited Maintenance Tax Rate Approved by Voters on November 6, 2014.

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

See accompanying auditors' report.



*Bauer Landing Water Control and Improvement District*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2017--by Years*  
*December 31, 2020*

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ 125,000	\$ 192,531	\$ 317,531
2022	125,000	189,813	314,813
2023	150,000	186,644	336,644
2024	150,000	183,006	333,006
2025	150,000	179,069	329,069
2026	175,000	174,381	349,381
2027	175,000	169,131	344,131
2028	175,000	163,794	338,794
2029	175,000	158,238	333,238
2030	200,000	152,019	352,019
2031	200,000	145,244	345,244
2032	200,000	138,344	338,344
2033	225,000	130,766	355,766
2034	225,000	122,609	347,609
2035	225,000	114,453	339,453
2036	250,000	105,688	355,688
2037	250,000	96,313	346,313
2038	250,000	86,938	336,938
2039	275,000	77,094	352,094
2040	275,000	66,781	341,781
2041	300,000	56,000	356,000
2042	300,000	44,563	344,563
2043	325,000	32,453	357,453
2044	325,000	19,859	344,859
2045	350,000	6,778	356,778
	<u>\$ 5,575,000</u>	<u>\$ 2,992,509</u>	<u>\$ 8,567,509</u>

See accompanying auditors' report.

*Bauer Landing Water Control and Improvement District*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2019--by Years*  
*December 31, 2020*

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ -	\$ 142,319	\$ 142,319
2022	75,000	140,631	215,631
2023	75,000	137,255	212,255
2024	100,000	133,318	233,318
2025	100,000	129,569	229,569
2026	100,000	126,569	226,569
2027	125,000	123,194	248,194
2028	125,000	119,443	244,443
2029	125,000	115,694	240,694
2030	150,000	111,569	261,569
2031	150,000	107,069	257,069
2032	150,000	102,569	252,569
2033	150,000	97,881	247,881
2034	175,000	92,600	267,600
2035	175,000	86,803	261,803
2036	175,000	80,897	255,897
2037	175,000	74,881	249,881
2038	200,000	68,319	268,319
2039	200,000	61,319	261,319
2040	200,000	54,194	254,194
2041	200,000	46,944	246,944
2042	225,000	39,241	264,241
2043	225,000	31,084	256,084
2044	225,000	22,928	247,928
2045	250,000	14,319	264,319
2046	270,000	4,894	274,894
	<u>\$ 4,120,000</u>	<u>\$ 2,265,503</u>	<u>\$ 6,385,503</u>

See accompanying auditors' report.

*Bauer Landing Water Control and Improvement District*  
*TSI-5. Long-Term Debt Service Requirements*  
*Series 2020--by Years*  
*December 31, 2020*

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ -	\$ 85,208	\$ 85,208
2022		102,250	102,250
2023	100,000	101,250	201,250
2024	100,000	99,250	199,250
2025	100,000	97,250	197,250
2026	125,000	95,000	220,000
2027	125,000	92,500	217,500
2028	125,000	90,000	215,000
2029	125,000	87,500	212,500
2030	150,000	84,750	234,750
2031	150,000	81,656	231,656
2032	150,000	78,469	228,469
2033	150,000	75,281	225,281
2034	175,000	71,719	246,719
2035	175,000	67,781	242,781
2036	175,000	63,844	238,844
2037	200,000	59,625	259,625
2038	200,000	55,125	255,125
2039	200,000	50,625	250,625
2040	225,000	45,844	270,844
2041	225,000	40,781	265,781
2042	250,000	35,438	285,438
2043	250,000	29,813	279,813
2044	275,000	23,906	298,906
2045	300,000	17,438	317,438
2046	300,000	10,688	310,688
2047	325,000	3,656	328,656
	<u>\$ 4,675,000</u>	<u>\$ 1,746,647</u>	<u>\$ 6,421,647</u>

See accompanying auditors' report.

*Bauer Landing Water Control and Improvement District*  
*TSI-5. Long-Term Debt Service Requirements*  
*All Bonded Debt Series--by Years*  
*December 31, 2020*

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2021	\$ 125,000	\$ 420,058	\$ 545,058
2022	200,000	432,694	632,694
2023	325,000	425,149	750,149
2024	350,000	415,574	765,574
2025	350,000	405,888	755,888
2026	400,000	395,950	795,950
2027	425,000	384,825	809,825
2028	425,000	373,237	798,237
2029	425,000	361,432	786,432
2030	500,000	348,338	848,338
2031	500,000	333,969	833,969
2032	500,000	319,382	819,382
2033	525,000	303,928	828,928
2034	575,000	286,928	861,928
2035	575,000	269,037	844,037
2036	600,000	250,429	850,429
2037	625,000	230,819	855,819
2038	650,000	210,382	860,382
2039	675,000	189,038	864,038
2040	700,000	166,819	866,819
2041	725,000	143,725	868,725
2042	775,000	119,242	894,242
2043	800,000	93,350	893,350
2044	825,000	66,693	891,693
2045	900,000	38,535	938,535
2046	570,000	15,582	585,582
2047	325,000	3,656	328,656
	<u>\$ 14,370,000</u>	<u>\$ 7,004,659</u>	<u>\$ 21,374,659</u>

See accompanying auditors' report.

***Bauer Landing Water Control and Improvement District***  
***TSI-6. Change in Long-Term Bonded Debt***  
***December 31, 2020***

	Bond Issue			
	Series 2017	Series 2019	Series 2020	Totals
Interest rate	2.00% - 3.875%	3.00% - 4.50%	2.00% - 2.25%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	3/1/20 - 3/1/45	3/1/22 - 3/1/46	3/1/23 - 3/1/47	
Beginning bonds outstanding	\$ 5,700,000	\$ 4,120,000	\$ -	\$ 9,820,000
Bonds issued			4,675,000	4,675,000
Bonds retired	(125,000)			(125,000)
Ending bonds outstanding	<u>\$ 5,575,000</u>	<u>\$ 4,120,000</u>	<u>\$ 4,675,000</u>	<u>\$ 14,370,000</u>
Interest paid during fiscal year	<u>\$ 195,094</u>	<u>\$ 142,319</u>	<u>\$ -</u>	<u>\$ 337,413</u>
Paying agent's name and city				
Series 2017	Amegy Bank, a division of ZB, N.A., Houston, Texas			
Series 2019	Zions Bancorporation, N.A., Houston, Texas			
Series 2020	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas			

Bond Authority:	Water, Sewer and Drainage Bonds
Amount Authorized by Voters	<u>\$ 50,000,000</u>
Amount Issued	<u>(14,495,000)</u>
Remaining To Be Issued	<u>\$ 35,505,000</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investment balances as of December 31, 2020: \$ 1,316,338

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 791,654

See accompanying auditors' report.

***Bauer Landing Water Control and Improvement District***  
***TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund***  
***For the Last Five Fiscal Years***

	Amounts				
	2020	2019	2018	2017	2016
Revenues					
Property taxes	\$ 419,195	\$ 420,254	\$ 347,325	\$ 377,781	\$ -
Investment earnings	5,681	12,327	7,857		
Total Revenues	424,876	432,581	355,182	377,781	
Expenditures					
Operating and administrative					
Professional fees	65,080	92,713	62,255	90,180	78,293
Contracted services	17,618	16,420	17,698	13,570	3,814
Repairs and maintenance	170,762	178,547	136,269	8,776	
Administrative	13,593	9,531	12,738	12,813	6,765
Other	1,675	2,100			
Capital outlay	77,975				
Total Expenditures	346,703	299,311	228,960	125,339	88,872
Revenues Over/(Under) Expenditures	\$ 78,173	\$ 133,270	\$ 126,222	\$ 252,442	\$ (88,872)

\*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2020	2019	2018	2017	2016
99%	97%	98%	100%	
1%	3%	2%		
100%	100%	100%	100%	N/A
16%	22%	18%	24%	N/A
4%	4%	5%	4%	N/A
41%	42%	39%	2%	
3%	2%	4%	3%	N/A
*	*			
18%				
64%	70%	66%	33%	N/A
36%	30%	34%	67%	N/A

***Bauer Landing Water Control and Improvement District***  
***TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund***  
***For the Last Four Fiscal Years***

	Amounts			
	2020	2019	2018	2017
Revenues				
Property taxes	\$ 503,289	\$ 298,832	\$ 195,077	\$ -
Penalties and interest	5,313	2,675	9,802	27,062
Accrued interest on bonds sold				4,909
Miscellaneous				38
Investment earnings	3,072	6,342	2,809	
Total Revenues	511,674	307,849	207,688	32,009
Expenditures				
Tax collection services	23,621	17,297	19,197	23,872
Debt service				
Interest and fees	338,412	257,329	213,242	
Total Expenditures	487,033	274,626	232,439	23,872
Revenues Over/(Under) Expenditures	\$ 24,641	\$ 33,223	\$ (24,751)	\$ 8,137

\*Percentage is negligible

See accompanying auditors' report.



Percent of Fund Total Revenues			
2020	2019	2018	2017
98%	97%	94%	
1%	1%	5%	85%
			15%
			*
1%	2%	1%	
100%	100%	100%	100%
5%	6%	9%	75%
66%	84%	103%	
95%	90%	112%	75%
5%	10%	(12%)	25%

***Bauer Landing Water Control and Improvement District  
TSI-8. Board Members, Key Personnel and Consultants  
For the Year Ended December 31, 2020***

Complete District Mailing Address: 2929 Allen Parkway, Suite 3150, Houston, TX 77019-7100  
District Business Telephone Number: (713) 489-8977  
Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): December 4, 2019  
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
<b>Board Members</b>				
Donn Land	05/20 - 05/24	\$ 1,050	\$ 37	President
Don R. Riggs	05/20 - 05/24	1,050	37	Vice President
Juan M. Olivo	10/19 - 05/22	750		Director
Carl D. McConnell	05/18 - 05/22	1,050	3	Secretary
Kameron Pugh	09/20 - 05/24	900	18	Assistant Secretary/ Treasurer
<b>Consultants</b>				
Johnson Petrov LLP	2014	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 39,366		
<i>Bond counsel</i>		118,875		
McLennan & Associates, L.P.	2014	20,798		Bookkeeper
Bob Leared Interests	2014	11,532		Tax Collector
Harris County Appraisal District	Legislation	7,849		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LP	2014	1,413		Delinquent Tax Attorney
Pape-Dawson Engineers, Inc.	2014	46,417		Engineer
McGrath & Co., PLLC	2016	16,750		Auditor
The GMS Group, L.L.C.	2014	96,070		Financial Advisor

\* *Fees of Office* are the amounts actually paid to a director during the District's fiscal year.  
See accompanying auditors' report.

**APPENDIX B**

**PHOTOGRAPHS TAKEN IN THE DISTRICT**











**APPENDIX C**

**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](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN