

OFFICIAL STATEMENT DATED FEBRUARY 10, 2022

IN THE OPINION OF BOND COUNSEL, THE BONDS ARE VALID OBLIGATIONS OF SPRING MEADOWS MUNICIPAL UTILITY DISTRICT AND INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR PURPOSES OF FEDERAL INCOME TAXATION UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE OF SUCH OPINION. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has designated the Bonds as "qualified tax-exempt obligations." See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE - Book-Entry Only

**Ratings: S&P Global Ratings (AGM Insured) "AA" (stable outlook)
Moody's Investors Service, Inc. (AGM Insured) "A2" (stable outlook)
Moody's Investors Service, Inc. (Underlying).... "A3"
See "BOND INSURANCE" and "RATINGS" herein**

**\$4,120,000
SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2022**

Dated: March 1, 2022

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

Interest Accrual Date: Delivery Date

Principal of the above bonds (the "Bonds") is payable by the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrar (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from the date of initial delivery (expected March 16, 2022) (the "Delivery Date"), and is payable on September 1, 2022, and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof in fully registered form only.

The Bonds, including the Term Bonds, maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of Spring Meadows Municipal Utility District (the "District"), as a whole or in part, on September 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

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

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



See Maturity Schedule on the inside cover

The Bonds constitute the seventh series of bonds issued by the District for the purpose of construction and acquisition of components of the District's water, wastewater and drainage facilities (the "System"). THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District authorized a total of \$67,000,000 in unlimited tax bonds for waterworks, sanitary sewer and drainage facilities, and, with respect to \$47,000,000 of such total, for refunding purposes. Following the issuance of the Bonds, \$43,020,000 principal amount of unlimited tax bonds authorized by the District's voters for the acquisition or construction of the System or refunding purposes will remain authorized but unissued. See "THE BONDS - Legal Ability to Issue Additional Debt."

The Bonds, when issued, constitute valid and binding obligations of the District, and are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "THE BONDS - Source of Payment." Neither the State of Texas, the City of Baytown, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Baytown, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the Attorney General of Texas and of Young & Brooks, Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected to be on or about March 16, 2022.

MATURITY SCHEDULE

CUSIP Prefix (a): 84984R

\$3,720,000 Serial Bonds

<u>Maturity</u> <u>(Due September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial</u> <u>Reoffering Yield (b)</u>	<u>CUSIP</u> <u>Suffix (a)</u>
2024	\$50,000	4.50%	1.10%	KD5
2025	50,000	4.50	1.30	KE3
2026	50,000	4.50	1.45	KF0
2027	50,000	4.50	1.60	KG8
*****	*****			
2038(c)	1,100,000	2.50	2.55	KR4
2039(c)	1,200,000	2.50	2.60	KS2
2040(c)	1,220,000	2.50	2.65	KT0

\$100,000 Term Bonds, Due September 1, 2029(c)(d), CUSIP Suffix KJ2 (a), Interest Rate 2.00% (Yield 1.80%)(b)

\$100,000 Term Bonds, Due September 1, 2031(c)(d), CUSIP Suffix KL7 (a), Interest Rate 2.00% (Yield 2.00%)(b)

\$100,000 Term Bonds, Due September 1, 2033(c)(d), CUSIP Suffix KN3 (a), Interest Rate 2.25% (Yield 2.30%)(b)

\$100,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix KQ6 (a), Interest Rate 2.25% (Yield 2.40%)(b)

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- (a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter (as defined herein) take any responsibility for the accuracy of CUSIP numbers.
- (b) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Underwriter. Initial reoffering yields represent the initial offering price to the public which has been established by the Underwriter for public offerings, and which subsequently may be changed.
- (c) Subject to optional redemption as described above on the cover page hereof.
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under the caption "THE BONDS – Redemption Provisions."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the interest rates shown under "MATURITY SCHEDULE" on the inside cover page hereof at a price of 97.00% of the principal amount thereof, which resulted in a net effective interest rate of 2.689147% as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

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

Securities Laws

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

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and

international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial Strength Ratings

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

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

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

Capitalization of AGM

At September 30, 2021:

- The policyholders' surplus of AGM was approximately \$2,910 million.
- The contingency reserve of AGM was approximately \$963 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,124 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 2021).

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

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

Miscellaneous Matters

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

BOND INSURANCE RISK FACTORS

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

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

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

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

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

RATINGS

The Bonds are expected to receive insured ratings of "AA" (stable outlook) from S&P Global Ratings ("S&P"), a business unit of Standard & Poor's Financial Services LLC, and "A2" (stable outlook) from Moody's Investors Service, Inc. ("Moody's"), based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The underlying credit rating of the Bonds assigned by Moody's is "A3."

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Spring Meadows Municipal Utility District (the “District”), a political subdivision of the State of Texas, located in Harris County, Texas.
Description	\$4,120,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”), are dated March 1, 2022. Interest accrues from the date of initial delivery (the “Delivery Date”), and is payable on September 1, 2022, and on each March 1 and September 1 thereafter until maturity or prior redemption. An aggregate of \$3,720,000 of the Bonds are issued as serial bonds maturing on September 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$400,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”) maturing on September 1 in each of the years 2029, 2031, 2033 and 2035, in the respective principal amounts set forth on the inside cover page of this Official Statement. The Bonds, including the Term Bonds, scheduled to mature on and after September 1, 2029, are subject to redemption, in whole or in part, prior to their scheduled maturities, at the option of the District, on September 1, 2027, or on any date thereafter. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions - Mandatory Redemption,” which amounts are subject to reduction by prior cancellation and optional redemption. See “THE BONDS.” The Bonds will be issued pursuant to a bond order (the “Bond Order”) adopted by the Board of Directors of the District.
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) 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”).
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Harris County, Texas, the State of Texas, the City of Baytown, Texas, or any political subdivision other than the District. See “THE BONDS - Source of Payment,” “TAX DATA - Tax Rate Calculations,” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Use of Bond Proceeds Proceeds of the sale of the Bonds will be used by the District to finance (i) the District’s share of the cost of construction or acquisition of water, wastewater and drainage improvements for Springfield Estates, Section 12; (ii) the cost of detention pond rehabilitation, and standby generator; (iii) payment to the City of Baytown for “Capital Buy-In” costs (“Impact Fees”) for water supply and wastewater treatment capacity to serve Springfield Estates, Section 12; (iv) the payment of engineering costs associated with the design and construction of such facilities; and (v) to pay for administrative and issuance costs, legal fees, fiscal agent’s fees, fees to the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”) and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.”

Payment Record The Bonds are the seventh series of bonds issued by the District for the purpose of construction and acquisition of components of the District’s water, wastewater and drainage facilities (the “System”). The District has previously issued Unlimited Tax Bonds, Series 2005 (the “Series 2005 Bonds”), Unlimited Tax Bonds, Series 2006 (the “Series 2006 Bonds”), Unlimited Tax Bonds, Series 2010 (the “Series 2010 Bonds”), Unlimited Tax Bonds, Series 2010A (the “Series 2010A Bonds”), Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”), and Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”) to finance the acquisition and construction of components of the System. The District has also issued Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2016 (the “Series 2016 Refunding Bonds”), Unlimited Tax Refunding Bonds, Series 2018 (the “Series 2018 Refunding Bonds”), and Unlimited Tax Refunding Bonds, Series 2020 (the “Series 2020 Refunding Bonds”) to refund portions of the outstanding bonds of the District. Collective reference is made in this Official Statement to all of such previously issued bonds as the “Prior Bonds.” The District has timely made all payments of principal and interest on the Prior Bonds when due. Prior to the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds that have not been paid by the District is \$13,475,000 (the “Outstanding Bonds”). Following the issuance of the Bonds, the aggregate principal amount of the District’s bonded indebtedness, including the Bonds, will be \$17,595,000. See “DISTRICT DEBT - Debt Service Requirement Schedule.” In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds”), the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Legal Ability to Issue Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” “DISTRICT DEBT,” and “THE SYSTEM.”

Authorized But Unissued Bonds After issuance of the Bonds, \$43,020,000 for waterworks, sanitary sewer, and drainage facilities, and for refunding purposes, will remain authorized but unissued. See “THE BONDS - Legal Ability to Issue Additional Debt” and “INVESTMENT CONSIDERATIONS - Future Debt.”

Municipal Bond Insurance	Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS.”
Municipal Bond Rating	S&P Global Ratings (AGM Insured) “AA” (stable outlook). Moody’s Investors Services, Inc. (AGM Insured) “A2” (stable outlook). Moody’s Investors Services, Inc. (Underlying) “A3.” See “BOND INSURANCE,” “BOND INSURANCE RISK FACTORS” and “RATINGS.”
Qualified Tax-Exempt Obligations	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265 (b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”
Legal and Tax Opinions	Young & Brooks, Houston, Texas, Bond Counsel. See “THE DISTRICT - Management of the District,” “LEGAL MATTERS” and “TAX MATTERS.”
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P. Houston, Texas.

THE DISTRICT

Description	The District was created by House Bill No. 952, Acts of the 76th Legislature of the State of Texas, Regular Session, effective May 6, 1999. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”). The District is located entirely within Harris County, Texas, approximately 30 miles east of the central business district of the City of Houston, approximately 0.5 miles north of Interstate Highway 10 on the east side of Garth Road. The District is bordered on the north by Wallisville Road. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Baytown. The District is located within the Goose Creek Consolidated Independent School District. The District contains 421.927 acres. See “THE DISTRICT - Description” and “APPENDIX A - LOCATION MAP.”
Authority	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended.
Development and Home Construction	The District contains approximately 421.93 acres of land, of which approximately 297.79 acres have been developed as the residential subdivisions of Springfield Estates, Sections 1 through 12 and Preston Place, Sections 1 through 3, containing an aggregate of 1,397 fully developed single family residential lots. See “DEVELOPMENT AND HOME CONSTRUCTION.” As of January 1, 2022, the District contained 1,396 single-family homes, all of which have been sold to homeowners. All of the land in the District designated for single-family residential development has been developed.

In addition to the aforementioned residential development, components of the System have been completed to serve a total of 29.94 acres located within the District, consisting of (i) approximately 11.05 acres located in Springfield Estates, Section 1, (ii) approximately 11.81 acres located in Springfield Estates, Section 2,

(iii) approximately 1.17 acres located in Springfield Estates, Section 12, and (iv) approximately 5.91 acres located in Preston Place, Section 1, all of which acres are designated for future commercial usage. Perimeter street paving has been completed to serve such future commercial acreage. A Sonic fast food restaurant and an O'Reilly Auto Parts store have been constructed on approximately 2.44 of such acres, an approximately 43-room Econo Lodge Inn & Suites has been constructed on approximately 1.08 of such acres, a Home 2 Suites by Hilton Hotel has been constructed on approximately 2.39 of such acres, a Staybridge Suites Hotel has been constructed on approximately 2.83 of such acres, an approximately 12,375 square foot retail strip center has been constructed on approximately 1.13 of such acres, and a gas station with convenience store has been constructed on approximately 1.00 of such acres.

Legna II, Ltd., a Texas limited partnership, owns and is marketing for sale approximately 6.42 acres of the aforementioned approximately 29.94 acres of land within the District that have been developed as is described above and that are expected to be utilized for commercial purposes. The balance of the land located within the District is contained within drainage and pipeline easements, detention ponds, is designated for parks or recreational usage, or is otherwise not available or expected to be available for future development.

The District financed the acquisition of the components of the System which serve Springfield Estates, Sections 1 through 11, Preston Place, Sections 1 through 3, and other facilities with portions of the proceeds of the Prior Bonds. The District will finance the acquisition of such facilities which serve Springfield Estates, Section 12, and other facilities with portions of the proceeds of the sale of the Bonds as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds, and is financing with the proceeds of the sale of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with the proceeds of the sale of additional bonds, if any, in the future. See "THE BONDS - Legal Ability to Issue Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt," "DISTRICT DEBT" and "THE SYSTEM."

Infectious Disease Outbreak (COVID-19)

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

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

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

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

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION
(Unaudited)

2021 Assessed Valuation..... (As of January 1, 2021) See "TAX DATA" and "TAXING PROCEDURES"	\$ 299,255,875 (a)
Estimated Valuation at December 1, 2021 (As of December 1, 2021) See "TAX DATA" and "TAXING PROCEDURES"	\$ 311,087,908 (b)
Direct Debt:	
Outstanding Bonds.....	\$ 13,475,000
The Bonds	<u>4,120,000</u>
Total	\$ 17,595,000 (c)
Estimated Overlapping Debt	\$ <u>15,717,924</u> (c)
Total Direct and Estimated Overlapping Debt	\$ 33,312,924 (c)
Ratio of Direct Debt to:	
2021 Assessed Valuation	5.88 %
Estimated Valuation as of December 1, 2021	5.66 %
See "DISTRICT DEBT."	
Ratio of Direct and Estimated Overlapping Debt to:	
2021 Assessed Valuation	11.13 %
Estimated Valuation as of December 1, 2021	10.71 %
See "DISTRICT DEBT."	
Debt Service Fund Balance as of January 13, 2022	\$ 1,482,764 (d)
General Fund Balance as of January 13, 2022.....	\$ 2,201,749
Percentage of Tax Collections 2011 through 2020 Tax Levies	99.96 %
(As of December 31, 2021)	
Percentage of Tax Collections 2021 Levy.....	78.50 %
(As of December 31, 2021) In process of collection.	
2021 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$ 0.42
Maintenance Tax.....	<u>0.39</u>
Total	\$ 0.81 (e)
Average Annual Debt Service Requirements of the Bonds and the Outstanding Bonds (2022-2040).....	\$ 1,255,987
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds (2036)	\$ 1,312,600
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2022-2040) at 95% Tax Collections	
Based on 2021 Assessed Valuation.....	\$ 0.45
Based on Estimated Valuation at December 1, 2021	\$ 0.43

Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay		
Maximum Annual Debt Service Requirements on the Bonds and the		
Outstanding Bonds (2036) at 95% Tax Collections		
Based on 2021 Assessed Valuation.....	\$	0.47
Based on Estimated Valuation at December 1, 2021	\$	0.45
Number of Single-Family Homes.....		1,396

Completed Commercial Improvements

- Sonic Fast Food Restaurant
- O'Reilly Auto Parts Store
- 43-Room Econo Lodge Inn & Suites
- Home 2 Suites by Hilton Hotel
- Staybridge Suites Hotel
- Approximately 12,375 square foot retail strip center
- Gas station with convenience store

- (a) As of January 1, 2021, and comprises the District's 2021 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of December 1, 2021, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through November 30, 2021. No taxes were levied for 2021 against any values added since January 1, 2021. The ultimate Assessed Valuation of any land and improvements added from January 1, 2021, through November 30, 2021, which will be placed on the District's 2022 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2022.
- (c) See "DISTRICT DEBT." In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds"), the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Legal Ability to Issue Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt," "DISTRICT DEBT" and "THE SYSTEM."
- (d) Such fund balance gives effect to the payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due in 2021. The District's debt service payment that is due on March 1, 2022, consisting of an interest payment on the Outstanding Bonds, totals \$239,450. The District's initial payment on the Bonds, consisting of an interest payment thereon, is due on September 1, 2022. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund at any time.
- (e) The District levied a total tax of \$0.81 per \$100 of Assessed Valuation, consisting of a debt service tax of \$0.42 and a maintenance tax of \$0.39 per \$100 of Assessed Valuation for 2021. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2021 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2021 rate, is \$3.09504. The District's total 2021 overlapping rate of \$3.09504 per \$100 of Assessed Valuation is higher than the total tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the total levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

**SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS
SERIES 2022**

INTRODUCTION

This Official Statement provides certain information with respect to the issuance by Spring Meadows Municipal Utility District (the “District”), a political subdivision of the State of Texas, located in Harris County, Texas of its Unlimited Tax Bonds, Series 2022 (the “Bonds”).

There follow in this Official Statement descriptions of the Bonds, the intended use of the proceeds of the sale of the Bonds, and certain information about the District and its finances. 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, Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, Texas 77024 upon request and payment of the costs for duplication thereof. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order (hereinafter defined), except as otherwise indicated herein.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the order of the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Order”). A copy of the Bond Order may be obtained from Bond Counsel, Young & Brooks, 10000 Memorial Drive, Suite 260, Houston, Texas 77024 upon request and payment of the costs for duplication thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated March 1, 2022. Interest on the Bonds will accrue from the Delivery Date, at the rates shown on the inside cover page hereof, and will be payable on September 1, 2022, and on each March 1 and September 1 (each, an “Interest Payment Date”) thereafter until the earlier of maturity or redemption. An aggregate of \$3,720,000 of the Bonds are issued as serial bonds maturing on September 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$400,000 of the Bonds are issued as term bonds (collectively, the “Term Bonds”) maturing on September 1 in each of the years 2029, 2031, 2033 and 2035, in the respective principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 or any integral multiple thereof. The principal of and interest on the Bonds will be payable by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., currently in Dallas, Texas (the “Paying Agent,” “Paying Agent/Registrar” or “Registrar”), or any other successor paying agent/registrar.

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

Book-Entry-Only System

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

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example,

Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Registration, Transfer and Exchange

In the event the book-entry-only system is discontinued, the Bonds are transferable only on the bond register kept by the Registrar upon surrender at the corporate trust office of the Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentment and surrender at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the corporate trust office of the Registrar, in Dallas, Texas, for Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the owner in not more than three (3) business days after the receipt by the Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding interest payment date or to transfer or exchange any Bond selected for redemption, in whole or in part, where such redemption is scheduled to occur within forty five (45) calendar days. No service charge will be made for any transfer or exchange, but the District or Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Replacement of Bonds

The District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bond at the corporate trust office of the Registrar, in Dallas, Texas, or receipt of satisfactory evidence by the Registrar of such destruction, loss or theft, and receipt by the District and the Registrar of security or indemnity to keep them harmless. The District and the Registrar may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Payment Record

The Bonds are the seventh series of bonds issued by the District for the purpose of construction and acquisition of components of the District's water, wastewater and drainage facilities (the "System"). The District has previously issued Unlimited Tax Bonds, Series 2005 (the "Series 2005 Bonds"), Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"), Unlimited Tax Bonds, Series 2010 (the "Series 2010 Bonds"), Unlimited Tax Bonds, Series 2010A (the "Series 2010A Bonds"), Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"), and Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds") to finance the acquisition and construction of components of the System. The District has also issued Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2016 (the "Series 2016 Refunding Bonds"), Unlimited Tax Refunding Bonds, Series 2018 (the "Series 2018 Refunding Bonds"), and Unlimited Tax Refunding Bonds, Series 2020 (the "Series 2020 Refunding Bonds") to refund portions of the outstanding bonds of the District. Collective reference is made in this Official Statement to all of such previously issued bonds as the "Prior Bonds." The District has timely made all payments of principal and interest on the Prior Bonds when due. Prior to the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds that have not been paid by the District is \$13,475,000 (the "Outstanding Bonds"). Following the issuance of the Bonds, the aggregate principal amount of the District's bonded indebtedness, including the Bonds, will be \$17,595,000. See "DISTRICT DEBT - Debt Service Requirement Schedule." In addition to the components of the System and Impact Fees (hereinafter defined) that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see "Use and Distribution of Bond Proceeds" below), the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of bonds, if any, to be issued by the District in the future. See "Legal Ability to Issue Additional Debt" below, "INVESTMENT CONSIDERATIONS - Future Debt," "DISTRICT DEBT," and "THE SYSTEM."

Authorization of the Bonds

At elections held within the District on November 6, 2001 and November 5, 2019, the voters of the District authorized the issuance of a total of \$67,000,000 in unlimited tax bonds for waterworks, sanitary sewer and drainage facilities, and, with respect to \$47,000,000 of such total, for refunding purposes. The Bonds are issued pursuant to the Bond Order; Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended. The issuance of the Bonds has been approved by the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"). See "Legal Ability to Issue Additional Debt" below.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the District, and the principal thereof and the interest thereon, together with the principal and interest on the Outstanding Bonds and such additional tax bonds of the District as may hereafter be authorized by District voters, if any, and subsequently issued, are payable from and secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The District has the authority to levy an annual ad valorem tax without limit as to rate or amount on all taxable property within the District for each year the Bonds are outstanding. In the Bond Order, the District has covenanted to establish a rate of taxation each year ample and sufficient to provide funds to pay the interest on the Bonds and to pay the principal when due, full allowance being made for delinquencies and costs of collection.

The Bonds are solely obligations of the District and are not obligations of the State of Texas, Harris County, Texas, the City of Baytown, Texas, or any political subdivision or agency other than the District.

Record Date

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

Redemption Provisions

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds, including the Term Bonds, maturing on and after September 1, 2029, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are optionally redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District in denominations of \$5,000 or any integral multiple thereof within any one maturity. If fewer than all of the Bonds within a certain maturity are to be redeemed, the Paying Agent/Registrar shall designate the Bonds within such maturity to be redeemed by method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). In the event the book-entry-only system is discontinued, the Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed. See “THE BONDS - Book-Entry-Only System.” Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the date fixed for redemption in the manner specified in the Bond Order.

Mandatory Redemption

The Term Bonds shall be redeemed at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (subject to reduction as described below):

\$100,000 Term Bonds Maturing on September 1, 2029	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2028	\$50,000
September 1, 2029 (maturity)	50,000

\$100,000 Term Bonds Maturing on September 1, 2031	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2030	\$50,000
September 1, 2031 (maturity)	50,000

\$100,000 Term Bonds Maturing on September 1, 2033	
<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2032	\$50,000
September 1, 2033 (maturity)	50,000

Annexation and Consolidation

The District lies within the extraterritorial jurisdiction of the City of Baytown (the “City”). Generally, under Texas law, the District may be annexed in whole, but not in part, by the City without the District’s consent, in which case the City must assume the assets, functions and obligations of the District, including the Bonds. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

The District has the 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.

Strategic Partnership

The District is authorized to enter into a strategic partnership agreement with the City to provide the terms and conditions under which services would be provided and funded by the parties and under which the District would continue to exist for an extended period if the land within the District, or any portion thereof, were to be annexed for full or limited purposes by the City. The terms of any such agreement would be determined by the City and the District, and could provide for limitations on the timing of annexation of the District by the City, the continuation of the District as a limited district following general purpose annexation by the City, the conversion of a limited purpose annexation to a general purpose annexation, or the payment of a fee in lieu of annexation to be derived from residential property within the District based on the costs of providing municipal services to the District. The District and the City have initiated discussions regarding a possible strategic partnership agreement between them. Although the City has negotiated and entered into such an agreement with one or more other districts in its extraterritorial jurisdiction, no representation can be made regarding the future likelihood of an agreement or the terms thereof.

Legal Ability to Issue Additional Debt

The District has reserved the right in the Bond Order to issue additional bonds. Following the issuance of the Bonds, the District will have the right to issue an additional \$43,020,000 bonds for waterworks, sanitary sewer, and drainage facilities, and for refunding purposes, as approved by District voters at an election held on November 5, 2019.

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities, or recreational facilities, the District would have to obtain approval of the Texas Commission on Environmental Quality (the “TCEQ”) for the issuance of such bonds and the projects to be financed thereby. In addition to the above mentioned bonds, the District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation notes and tax anticipation notes without the necessity of voter approval. In addition, the District has the right to enter into contracts and to pledge its taxing power to secure any payments the District is required to make under such a contract, provided the provisions of the contract are approved by the voters of the District. The Bond Order places no limitation on the amount of additional bonds which may be issued by the District.

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

The District also is authorized by law to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue such bonds, the following actions would be required: (1) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (2) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (3) approval of the master plan and bonds by the TCEQ; and (4) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election at this time for such purposes. The District has no information concerning any determination by the City concerning modification of its ordinances.

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) amendments to existing city ordinances specifying the purposes for which the District may issue 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 the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds may not exceed an amount equal to three percent of the value of taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Issuance of additional bonds or other subsequently authorized bonds could affect the investment quality or security of the Bonds. See “INVESTMENT CONSIDERATIONS - Future Debt.”

Registered Owners’ Remedies

The Bond Order contains a covenant that while any part of the Bonds is outstanding, there shall be assessed, levied, and collected an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District, sufficient to pay principal of and interest on the Bonds when due and to pay the expenses necessary in collecting taxes. Texas law and the Bond Order provide that in the event that the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Order into the District’s Debt Service Fund (the “Debt Service Fund”), or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Order, any Registered Owner shall be entitled at any time to a writ of mandamus from a court of competent jurisdiction compelling and requiring the Board of Directors of the District to observe and perform any covenant, obligation, or condition prescribed by the Bond Order. Such right is in addition to all other rights the Registered Owners may be provided by the laws of the State of Texas.

Except for mandamus, the Bond Order does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default. Consequently, the remedy of mandamus is a remedy which may have to be relied upon from year to year by the Registered Owners. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if the Registered Owners could obtain a judgment against the District, such 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 in order to pay the principal of and interest on the Bonds. Certain traditional legal remedies also may not be available. The enforceability of the rights and remedies of the Registered Owners may be further limited by federal bankruptcy laws, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See “Bankruptcy Limitation to Registered Owners’ Rights” below.

Bankruptcy Limitation to Registered Owners’ Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. §§901-946, if the District (1) is generally authorized to file for federal bankruptcy

protection by State law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. A municipal utility district, such as the District, must obtain the approval of the TCEQ prior to filing for bankruptcy. The TCEQ is required to 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.

If the District decides in the future to proceed voluntarily under the Federal Bankruptcy Code, the District would develop and file a plan for the adjustment of its debts, and the Bankruptcy Court would confirm the District's plan if (1) the plan complies with the applicable provisions of the Federal Bankruptcy Code, (2) all payments to be made in connection with the plan are fully disclosed and reasonable, (3) the District is not prohibited by law from taking any action necessary to carry out the plan, (4) administrative expenses are paid in full, and (5) the plan is in the best interests of creditors and is feasible. The rights and remedies of the Registered Owners would be adjusted in accordance with the confirmed plan of adjustment of the District's debt. See "INVESTMENT CONSIDERATIONS."

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used by the District to finance (i) the District's share of the cost of construction or acquisition of water, wastewater and drainage improvements for Springfield Estates, Section 12; (ii) the cost of detention pond rehabilitation, and standby generator; (iii) payment to the City of Baytown for "Capital Buy-In" costs (impact fees) for water supply and wastewater treatment capacity to serve Springfield Estates, Section 12; (iv) the payment of engineering costs associated with the design and construction of such facilities; and (v) to pay for administrative and issuance costs, legal fees, fiscal agent's fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

I. Construction Costs	<u>District's Share</u>
A. Developer Contribution Items ^(a)	
1. Springfield Estates, Section 12 Water, Wastewater & Drainage	\$838,110
2. Engineering and Materials Testing	<u>144,683</u>
Total Developer Contribution Items	\$982,793
B. District Items	
1. Detention Pond Rehabilitation	\$1,931,000
2. Standby Generator	90,000
3. Contingencies	202,100
4. Engineering, Surveying, and Materials Testing	244,952
5. City of Baytown Capital Buy-In (Impact Fees)	<u>267,824</u>
Total District Items	\$2,735,876
Sub-Total Construction Costs	\$3,718,669
Less Surplus Funds	<u>(97,835)</u>
TOTAL CONSTRUCTION COSTS	\$3,620,834
 II. Non-Construction Costs	
A. Legal Fees	\$108,000
B. Fiscal Agent Fees	82,400
C. Developer Interest ^(b)	76,127
D. Bond Discount	123,600
E. Bond Issuance Expenses	41,519
F. Bond Application Report Costs	53,100
G. Attorney General Fee	4,120
H. TCEQ Bond Issuance Fee	<u>10,300</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$499,166</u>
TOTAL BOND ISSUE REQUIREMENT	\$4,120,000

- (a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.
- (b) Represents interest owed on advances of construction costs, engineering fees and Capital Buy-In costs made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the party making the advance has borrowed funds.

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

THE DISTRICT

Authority

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution. The District was created by the Texas House Bill No. 952, Acts of the 76th Legislature of the State of Texas, Regular Session, effective May 6, 1999, and confirmed at an election held within the District on November 12, 2001, by a vote of two (2) “For” to none (0) “Against.” The District is vested with all of the rights, privileges, authority and functions conferred by the general laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is empowered, among other things, to purchase, construct, operate, acquire, own, and maintain water and wastewater facilities, improvements and to provide for the control and diversion of storm water. If the City of Baytown amends its existing ordinances, the District would be additionally empowered to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and to issue bonds for such purposes, after approval by the TCEQ and the District’s voters of the District’s plans in such regard. The District is also empowered to provide for solid waste disposal services. The District is subject to the continuing supervision of the TCEQ.

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) amendments to existing City ordinances specifying the purposes for which the District may issue 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 the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds may not exceed an amount equal to three percent of the value of taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Description

When created, the District contained 421.927 acres. There has been no change to the area of the District since its creation. The District is located entirely within Harris County, Texas, approximately 30 miles east of the central business district of the City of Houston, approximately 0.5 miles north of Interstate Highway 10 on the east side of Garth Road. The District is bordered on the north by Wallisville Road. The District is located entirely within the exclusive extraterritorial jurisdiction of the City of Baytown. The District is located within the Goose Creek Consolidated Independent School District. See “APPENDIX A - LOCATION MAP.”

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. The Directors own small parcels of land located in the District that are subject to taxation. Directors are elected to serve four year staggered terms at elections held in May of each even numbered year. The current members and officers of the Board are identified as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Frank Cope	President	2024
Denise Campbell	Vice President	2022
Grady Green	Secretary	2024
Russell Ruth	Assistant Secretary	2022
Robert Becktell	Director	2024

The District does not have a general manager or any other employee, but has contracted for services, as follows.

Utility System Operator - Texas Operations & Professional Services (“TOPS”), is the operator of the District’s System. According to TOPS, it acts as operator for approximately 15 utility districts.

Tax Assessor/Collector - The District has engaged San Jacinto Tax Service, Co., L.L.C., as the District’s Tax Assessor/Collector (the “Tax Assessor/Collector”). According to San Jacinto Tax Service, Co., L.L.C. serves as tax assessor/collector for approximately 8 taxing jurisdictions. The Tax Assessor/Collector applies the District’s tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Bookkeeper - The District’s bookkeeper is Myrtle Cruz, Inc., which acts as bookkeeper for approximately 359 utility districts.

Engineer - The District’s consulting engineer is Cobb, Fendley & Associates, Inc. (the “Engineer”), Houston Texas, which firm has been employed in connection with overall planning activities and the design of the System.

Counsel - The District has engaged Young & Brooks, Houston, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of District bonds, including the Bonds. The fees paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued and sold. Therefore, the payment of such fees is contingent upon the sale and delivery of the Bonds.

Auditor - The District has engaged Mark C. Eyring, CPA PLLC (the “Auditor”) to audit the District’s financial statements for the year ended September 30, 2021. Such audit is included as “APPENDIX B” to this Official Statement.

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

DEVELOPMENT AND HOME CONSTRUCTION

The District contains approximately 421.93 acres of land, of which approximately 297.79 acres have been developed as the residential subdivisions of Springfield Estates, Sections 1 through 12 and Preston Place, Sections 1 through 3, containing an aggregate of 1,397 fully developed single family residential lots. As of January 1, 2022, the District contained 1,396 single-family homes, all of which have been sold to homebuyers. All of the land in the District designated for single-family residential development has been developed.

In addition to the aforementioned residential development, components of the System have been completed to serve a total of 29.94 acres located within the District, consisting of (i) approximately 11.05 acres located in Springfield Estates, Section 1, (ii) approximately 11.81 acres located in Springfield Estates, Section 2, (iii) approximately 1.17 acres located in Springfield Estates, Section 12, and (iv) approximately 5.91 acres located in Preston Place, Section 1, all of which acres are designated for future commercial usage. Perimeter street paving has been completed to serve such future commercial acreage. A Sonic fast food restaurant and an O’Reilly Auto Parts store have been constructed on approximately 2.44 of such acres, an approximately 43-room Econo Lodge Inn & Suites has been constructed on approximately 1.08 of such acres, a Home 2 Suites by Hilton Hotel has been constructed on approximately 2.39 of such acres, a Staybridge Suites Hotel has been constructed on approximately 2.83 of such acres, an approximately 12,375 square foot retail strip center has been constructed on approximately 1.13 of such acres, and a gas station with convenience store has been constructed on approximately 1.00 of such acres.

Legna II, Ltd., a Texas limited partnership, owns and is marketing for sale approximately 6.42 acres of the aforementioned approximately 29.94 acres of land within the District that have been developed as is described above and that are expected to be utilized for commercial purposes. The balance of the land located within the District is contained within drainage and pipeline easements, detention ponds, is designated for parks or recreational usage, or is otherwise not available or expected to be available for future development.

The District financed the acquisition of the components of the System which serve Springfield Estates, Sections 1 through 11, Preston Place, Sections 1 through 3, and other facilities with portions of the proceeds of the Prior Bonds, and will finance the acquisition of the facilities that serve Springfield Estates, Section 12, and certain other facilities with the proceeds of the sale of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.” In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Legal Ability to Issue Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” “DISTRICT DEBT,” and “THE SYSTEM.”

As of January 1, 2022, the status of residential development and home construction in the District was as follows:

Subdivision	LOTS				HOMES				Totals
	Completed		Under Development		Under Construction		Completed		
	Acres	Lots	Acres	Lots	Sold	Unsold	Sold	Unsold	
Springfield Estates									
Section 1	40.45	175			0	0	175	0	175
Section 2	20.80	112			0	0	112	0	112
Section 3	16.27	92			0	0	92	0	92
Section 4	20.06	91			0	0	91	0	91
Section 5	24.58	107			0	0	107	0	107
Section 6	22.89	107			0	0	107	0	107
Section 7	22.25	112			0	0	112	0	112
Section 8	24.39	117*			0	0	116	0	116
Section 9	12.94	66			0	0	66	0	66
Section 10	15.80	57			0	0	57	0	57
Section 11	15.04	72			0	0	72	0	72
Section 12	28.17	76			0	0	76	0	76
Preston Place									
Section 1	10.71	85			0	0	85	0	85
Section 2	11.48	66			0	0	66	0	66
Section 3	11.96	62			0	0	62	0	62
TOTALS	297.79	1,397	0	0	0	0	1,396	0	1,396

* One lot in Springfield Estates, Section 8 was sold to an adjacent homeowner. It is expected that a home will not be constructed on such lot.

THE SYSTEM

Regulation

According to the District’s Engineer, the District’s water, wastewater and drainage facilities (the “System”) have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, Harris County, the Harris County Flood Control District (the “HCFCD”) and the City of Baytown (the “City”). According to the District’s Engineer, all such facilities constructed to date have been approved by all required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies and the District’s Engineer.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. The total number of equivalent single-family connections (“esfc”) currently estimated for the District upon the full development of its 421.927 acres is 1,527 with a total estimated population of 5,800 people.

Description of the System

Certain components of the District’s System are described below, based upon information obtained from the District’s Engineer. The System presently serves Springfield Estates, Sections 1 through 12 and Preston Place, Sections 1 through 3, which contain a total of 1,397 fully developed single-family residential lots, and includes underground water distribution, wastewater collection and storm drainage lines to serve such lots. The District financed the acquisition of the facilities that serve Springfield Estates, Sections 1 through 11 and Preston Place, Sections 1 through 3, and certain other facilities with the proceeds of the sale of the Prior Bonds, and will finance the acquisition of the facilities that serve Springfield Estates, Section 12, and certain other facilities with the proceeds of the sale of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.” In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds, the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Legal Ability to Issue Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” and “DISTRICT DEBT.”

- Water Supply -

The District receives water from the City through a master metered connection. The City purchases treated surface water from the Thompson Road Water Treatment Plant owned by Baytown Area Water Authority (“BWA”). BWA receives raw water from the Trinity River Authority. Pursuant to the Water Supply and Waste Disposal Agreement between the District and the City dated August 15, 2000 (the “Agreement”), the City and BWA will provide up to 550,000 gallons-per-day of treated water to the District, which is sufficient to serve the ultimate water demands of the District upon the completion of the development of the District. The contract expires August 15, 2025. The District does not use groundwater. The District does not have any other water line interconnection, except the delivery point from the City.

Pursuant to the Agreement, the City currently charges an Impact Fee for water supply services of \$1,087 per service unit for new development. These rates may be adjusted from time to time by the City and new development is required to pay the rate in effect at the time payment is due. The District is financing such Impact Fees for Springfield Estates, Section 12 with a portion of the proceeds of the sale of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.” The District cannot represent that the City will be able to provide service to future connections within the District when required to do so under the terms of the Agreement.

- Wastewater Treatment -

Wastewater treatment for the District is also provided by the City. The wastewater collected from the District is treated by the City of Baytown’s 4.0 MGD West District Wastewater Treatment Plant. Pursuant to the Agreement, the City has contracted to provide up to 550,000 gallons-per-day of wastewater treatment to the District, which is sufficient to serve the ultimate wastewater treatment demands of the District upon the completion of the development of the District.

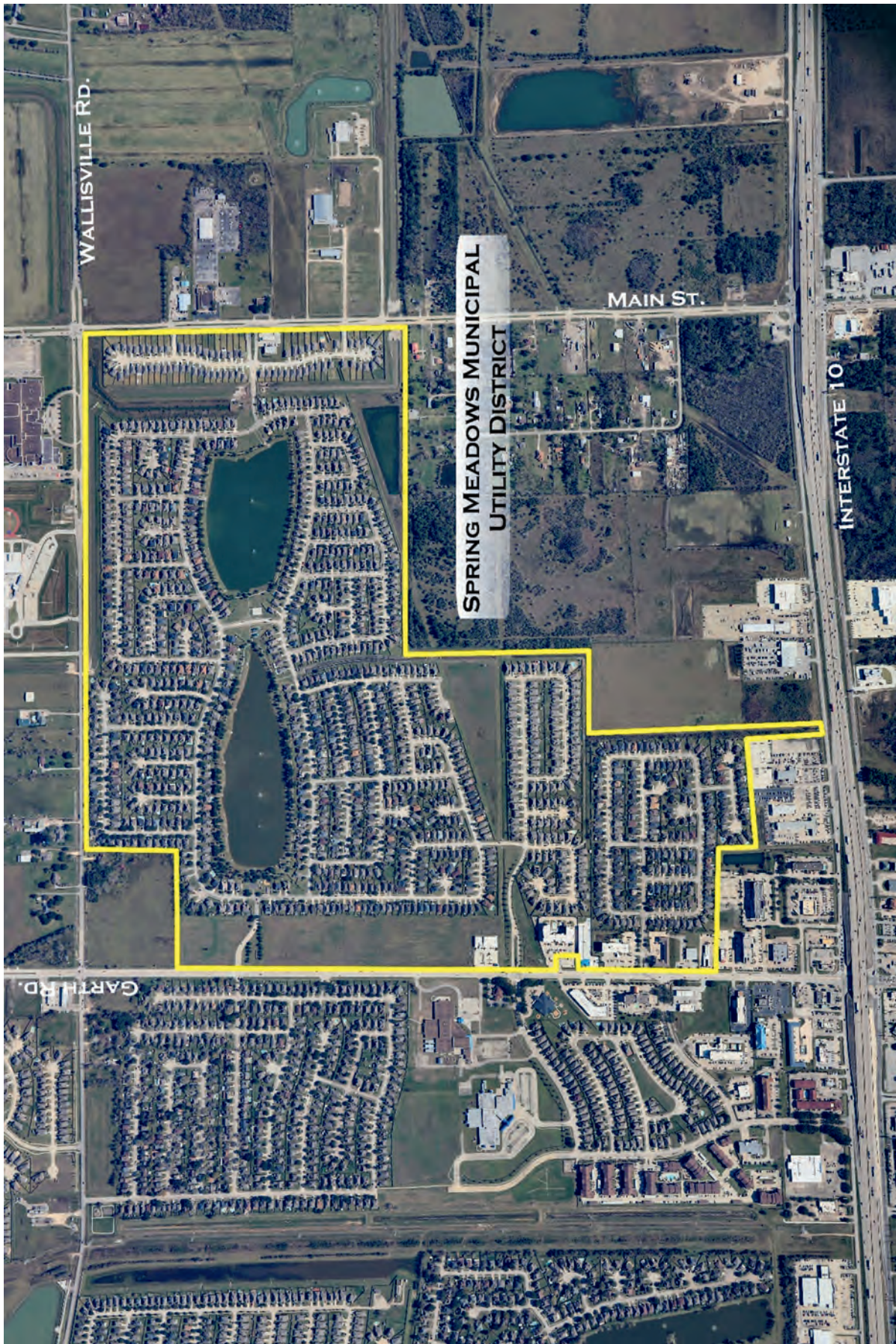
Pursuant to the Agreement, the City currently charges an Impact Fee for wastewater services of \$2,437 per service unit for new development. These rates may be adjusted from time to time by the City and new development is required to pay the rate in effect at the time payment is due. The District is financing such Impact Fees for Springfield Estates, Section 12 with a portion of the proceeds of the sale of the Bonds. See “THE BONDS - Use and Distribution of Bond Proceeds.” The District cannot represent that the City will be able to provide service to future connections within the District when required to do so under the terms of the Agreement.

- Drainage Facilities -

The District's drainage facilities consist of internal underground storm drainage lines which drain ultimately into Cedar Bayou. "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. According to the District's Engineer, no portion of the District lies within the 100-year flood plain of Cedar Bayou as determined by the applicable FIRM. However, an engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. See "INVESTMENT CONSIDERATIONS - Extreme Weather Events." The District's drainage system has been designed and constructed to all current standards.

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

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken January 2022)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken January 2022)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken January 2022)



DISTRICT DEBT

General

The following tables and calculations relate to the Bonds and the Outstanding Bonds. After issuance of the Bonds, the aggregate principal amount of the Outstanding Bonds, will be \$17,595,000. The District is empowered to incur debt to be paid from revenues raised by taxation against all taxable property located within the District, and various other political subdivisions of government that overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of the property within the District.

2021 Assessed Valuation.....	\$	299,255,875 (a)
(As of January 1, 2021)		
See "TAX DATA" and "TAXING PROCEDURES"		
Estimated Valuation at December 1, 2021	\$	311,087,908 (b)
(As of December 1, 2021)		
See "TAX DATA" and "TAXING PROCEDURES"		
Direct Debt:		
Outstanding Bonds	\$	13,475,000
The Bonds		<u>4,120,000</u>
Total	\$	17,595,000 (c)
Estimated Overlapping Debt.....	\$	<u>15,717,924 (c)</u>
Total Direct and Estimated Overlapping Debt.....	\$	33,312,924 (c)
Ratio of Direct Debt to:		
2021 Assessed Valuation		5.88 %
Estimated Valuation as of December 1, 2021		5.66 %
Ratio of Direct and Estimated Overlapping Debt to:		
2021 Assessed Valuation		11.13 %
Estimated Valuation as of December 1, 2021		10.71 %
Debt Service Fund Balance as of January 13, 2022.....	\$	1,482,764 (d)
General Fund Balance as of January 13, 2022.....	\$	2,201,749
Percentage of Tax Collections 2011 through 2020 Tax Levies		99.96 %
(As of December 31, 2021)		
Percentage of Tax Collections 2021 Levy		78.50 %
(As of December 31, 2021) In process of collection.		
2021 Tax Rate per \$100 of Assessed Valuation		
Debt Service Tax	\$	0.42
Maintenance Tax		<u>0.39</u>
Total	\$	0.81 (e)

(a) As of January 1, 2021, and comprises the District's 2021 tax roll. All property located in the District is valued on the tax rolls by the Harris County Appraisal District (the "Appraisal District") at 100% of assessed value as of January 1 of each year. The District's tax roll is certified by the Harris County Appraisal Review Board (the "Appraisal Review Board"). See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of December 1, 2021, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2020, through November 30, 2021. No taxes were levied for 2021 against any values added since January 1, 2021. The ultimate Assessed Valuation of any land and improvements added from January 1, 2021, through November 30, 2021, which will be placed on the District's 2022 tax roll, may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2022.
- (c) In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds"), the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of bonds, if any, to be issued by the District in the future. See "THE BONDS - Legal Ability to Issue Additional Debt," "INVESTMENT CONSIDERATIONS - Future Debt," "DISTRICT DEBT" and "THE SYSTEM."
- (d) Such fund balance gives effect to the payment by the District of the entirety of its debt service requirements on the Outstanding Bonds that were due in 2021. The District's debt service payment that is due on March 1, 2022, consisting of an interest payment on the Outstanding Bonds, totals \$239,450. The District's initial payment on the Bonds, consisting of an interest payment thereon, is due on September 1, 2022. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund at any time.
- (e) The District levied a total tax of \$0.81 per \$100 of Assessed Valuation, consisting of a debt service tax of \$0.42 and a maintenance tax of \$0.39 per \$100 of Assessed Valuation for 2021. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2021 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2021 rate, is \$3.09504. The District's total 2021 overlapping rate of \$3.09504 per \$100 of Assessed Valuation is higher than the total tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the total levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments" and "TAXING PROCEDURES."

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Debt as of December 1, 2021</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County ⁽ⁱ⁾	\$1,584,697,125	0.05741%	\$909,698
Harris County Department of Education	20,185,000	0.05741	11,587
Harris County Flood Control District	584,900,000	0.05741	335,763
Harris County Hospital District	81,540,000	0.05741	46,808
Port of Houston Authority	469,434,397	0.05741	269,480
Goose Creek Consolidated Independent School District	709,413,572	1.89358	13,433,318
Lee College District	37,890,000	1.87720	<u>711,270</u>
Total Estimated Overlapping Debt			\$15,717,924
Total Direct Debt (the Bonds and the Outstanding Bonds)			<u>17,595,000</u>
Total Direct and Estimated Overlapping Debt			\$33,312,924

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

Debt Ratios

	<u>% of 2021 Assessed Valuation</u>	<u>% of Estimated Valuation as of December 1, 2021</u>
Direct Debt.....	5.88%	5.66%
Direct and Estimated Overlapping Debt	11.13%	10.71%

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes, and such taxes have been authorized by the duly qualified voters of the District. See "TAX DATA - Maintenance Tax."

Debt Service Requirement Schedule

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

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest	
2022	\$1,103,900		\$48,354	\$1,152,254
2023	1,100,300		105,500	1,205,800
2024	1,106,100	\$50,000	105,500	1,261,600
2025	1,110,150	50,000	103,250	1,263,400
2026	1,110,800	50,000	101,000	1,261,800
2027	1,115,500	50,000	98,750	1,264,250
2028	1,119,150	50,000*	96,500	1,265,650
2029	1,116,750	50,000*	95,500	1,262,250
2030	1,123,400	50,000*	94,500	1,267,900
2031	1,123,800	50,000*	93,500	1,267,300
2032	1,128,150	50,000*	92,500	1,270,650
2033	1,126,250	50,000*	91,375	1,267,625
2034	1,125,450	50,000*	90,250	1,265,700
2035	1,128,300	50,000*	89,125	1,267,425
2036	1,224,600		88,000	1,312,600
2037	1,220,550		88,000	1,308,550
2038		1,100,000	88,000	1,188,000
2039		1,200,000	60,500	1,260,500
2040		1,220,000	30,500	1,250,500
	\$18,083,150	\$4,120,000	\$1,660,604	\$23,863,754

Average Annual Requirements: (2022-2040) \$1,255,987
 Maximum Annual Requirement: (2036)..... \$1,312,600

See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAX DATA - Tax Rate Calculations” for a discussion of the District’s projected tax rates and the effect of the Bonds thereon.

* Represents mandatory sinking fund payments on Term Bonds.

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest the Bonds, the Outstanding Bonds and any future tax-supported bonds which may be issued from time to time as authorized. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District levied a debt service tax of \$0.42 per \$100 of Assessed Valuation for 2021. See "Tax Rate Distribution" below.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District's voters have authorized the levy of such a maintenance tax in an amount not to exceed \$1.25 per \$100 of Assessed Valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds and any tax-supported bonds which may be issued in the future. The District levied a maintenance tax of \$0.39 per \$100 of Assessed Valuation for 2021. See "Tax Rate Distribution" below.

Historical Values and Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate^(a)</u>	<u>Tax Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years^(b)</u>	<u>Year Ended 09/30</u>
2011	\$140,584,086	\$1.21	\$1,701,068	100.00%	2012
2012	140,700,360	1.21	1,702,474	100.00	2013
2013	146,965,492	1.21	1,778,283	100.00	2014
2014	168,082,895	1.13	1,899,337	100.00	2015
2015	189,619,087	1.02	1,934,115	100.00	2016
2016	217,191,620	0.92	1,998,163	100.00	2017
2017	241,103,325	0.86	2,073,489	100.00	2018
2018	246,996,755	0.84	2,074,684	100.00	2019
2019	268,132,133	0.83	2,225,497	99.87	2020
2020	281,069,869	0.82	2,304,773	99.77	2021
2021	299,255,875	0.81	2,423,973	78.50 ^(c)	2022

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through December 31, 2021. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective annual levy) is not reflected in this statement.

(c) As of December 31, 2021. In process of collection.

Tax Rate Distribution

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$0.42	\$0.43	\$0.43	\$0.45	\$0.47
Maintenance	<u>0.39</u>	<u>0.39</u>	<u>0.40</u>	<u>0.39</u>	<u>0.39</u>
Total	\$0.81	\$0.82	\$0.83	\$0.84	\$0.86

Analysis of Tax Base

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

<u>Type of Property</u>	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$69,893,999	23.36%	\$67,122,323	23.88%	\$60,607,807	22.60%
Improvements	236,283,165	78.96%	220,284,193	78.37%	212,640,921	79.30%
Personal Property	3,099,521	1.04%	3,716,450	1.32%	2,709,495	1.01%
Agriculture	1,846	0.00%	3,859	0.00%	3,780	0.00%
Exemptions	<u>(10,022,656)</u>	<u>-3.35%</u>	<u>(10,056,956)</u>	<u>-3.58%</u>	<u>(7,829,870)</u>	<u>-2.92%</u>
TOTAL	\$299,255,875	100.00%	\$281,069,869	100.00%	\$268,132,133	100.00%

<u>Type of Property</u>	<u>2018</u>		<u>2017</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$48,914,406	19.80%	\$48,493,367	20.11%
Improvements	201,111,878	81.42%	196,527,549	81.51%
Personal Property	3,563,854	1.44%	2,593,909	1.08%
Agriculture	4,103	0.00%	2,022	0.00%
Exemptions	<u>(6,597,486)</u>	<u>-2.67%</u>	<u>(6,513,522)</u>	<u>-2.70%</u>
TOTAL	\$246,996,755	100.00%	\$241,103,325	100.00%

Principal 2021 Property Owners

Based upon information supplied by the District's Tax Assessor/Collector, the following table lists principal District taxpayers, type of property owned by such taxpayers, and the Assessed Valuation of such property as of January 1, 2021. The information reflects the composition of the Appraisal District's record of property ownership as of January 1, 2021.

<u>Property Owner</u>	<u>Property Description</u>	<u>Assessed Valuation 2021 Tax Roll</u>	<u>% of 2021 Tax Roll</u>
Generous Hospitality LP	Land and Improvements	\$6,747,589	2.25%
Brilliance Hospitality LLC	Land and Improvements	5,296,157	1.77%
O'Reilly Auto Enterprises	Land, Improvements, and Personal Property	1,901,613	0.64%
Garth Developers LLC	Land and Improvements	1,603,735	0.54%
Medical Village of Cypress Creek LP	Land	1,568,160	0.52%
AMH 2014 3 Borrower LLC	Land and Improvements	1,347,298	0.45%
DVSM Lodging Group LLC	Land and Improvements	1,173,619	0.39%
Joe L. Trapolino Jr.	Land and Improvements	1,099,946	0.37%
Centerpoint Energy	Personal Property	1,088,790	0.36%
Jaclyn Gip	Land and Improvements	<u>912,682</u>	<u>0.30%</u>
		\$22,739,589	7.60%

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth occurs in the District’s tax base beyond the District’s 2021 Assessed Valuation or Estimated Valuation at December 1, 2021. The calculations also assume collection of 95% of taxes levied, no use of other District funds on hand, and no sale of additional bonds by the District other the Bonds and the Prior Bonds. As is outlined above under the caption “Historical Values and Tax Collection History,” as of December 31, 2021, the District had collected an average of 99.96% of its property taxes for the period 2011 through 2020, and its 2021 levy was 78.50% collected as of such date.

Average Annual Debt Service Requirements (2022-2040).....	\$1,255,987
Tax Rate of \$0.45 on the 2021 Assessed Valuation (\$299,255,875) produces.....	\$1,279,319
Tax Rate of \$0.43 on the Estimated Valuation at December 1, 2021 (\$311,087,908) produces.....	\$1,270,794
Maximum Annual Debt Service Requirement (2036)	\$1,312,600
Tax Rate of \$0.47 on the 2021 Assessed Valuation (\$299,255,875) produces.....	\$1,336,177
Tax Rate of \$0.45 on the Estimated Valuation at December 1, 2021 (\$311,087,908) produces.....	\$1,329,901

The District levied a debt service tax of \$0.42 per \$100 of Assessed Valuation for 2021 and a maintenance tax of \$0.39 per \$100 of Assessed Valuation in 2021, and thus levied a total tax of \$0.81 per \$100 of Assessed Valuation in 2021. As the above table indicates, a debt service tax of \$0.42 per \$100 of Assessed Valuation will not be sufficient to pay debt service on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the 2021 Assessed Valuation or Estimated Valuation at December 1, 2021, assuming that the District will have a tax collection rate of 95%, no use of other District funds on hand, and the issuance of no additional bonds by the District. However, as is illustrated above under the caption “Historical Values and Tax Collection History,” the District has collected an average of 99.96% of its 2011 through 2020 tax levies as of December 31, 2021, and its 2021 levy was 78.50% collected as of such date. In addition, the District’s Debt Service Fund balance was \$1,482,764 as of January 18, 2022. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - ANNUAL AUDIT REPORT”). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2021 - \$0.42 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAXING PROCEDURES.” Increases in the District’s tax rate to higher levels than the total \$0.81 per \$100 of Assessed Valuation rate which the District levied for 2021 may have an adverse impact upon future development of the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments” and “TAXING PROCEDURES.” In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds”), the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of bonds, if any, to be issued by the District in the future. See “THE BONDS - Legal Ability to Issue Additional Debt,” “INVESTMENT CONSIDERATIONS - Future Debt,” “DISTRICT DEBT,” and “THE SYSTEM.”

Estimated Overlapping Taxes

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

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate Per \$100 of A.V.</u>
The District*	\$0.810000
Harris County	0.376930
Harris County Department of Education	0.004990
Harris County Flood Control District	0.033490
Harris County Hospital District	0.162210
Port of Houston Authority	0.008720
Goose Creek Consolidated Independent School District	1.368600
Harris County Emergency Service District No. 75	0.100000
Lee College District	<u>0.230100</u>
Total Tax Rate	\$3.095040

* The District has levied a total tax rate of \$0.81 per \$100 of Assessed Valuation for 2021, including debt service and maintenance taxes of \$0.42 and \$0.39 per \$100 of Assessed Valuation, respectively.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue, and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under the caption "THE BONDS - Source of Payment." The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District's electors at an election. The District's electors have authorized the levy of such a maintenance tax in the maximum amount of \$1.25 per \$100 of assessed valuation. See "TAX DATA - Maintenance Tax."

Exempt Property

Except for certain exemptions provided by Texas law, all real property and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Harris County Appraisal District ("HCAD" or the "Appraisal District") described below to assess taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; nonprofit cemeteries; and certain property owned by qualified charitable, religious, veterans, fraternal, or educational organizations. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. In addition, the District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the District's preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. For the 2021 tax year, the District has granted an exemption in the amount of \$10,000 for residential homesteads of persons 65 years of age and older and individuals who are under disability for purpose of payment of disability insurance benefits under Federal Old-Age Survivors and Disability Insurance Act. The District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, to between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, and subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of

the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces or, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the spouse.

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

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining oil or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which 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. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it 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. 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. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken official action to allow taxation of all such goods-in-transit personal property but may choose to exempt same in the future by further official action.

Harris County may designate all or part of the area within the District as a reinvestment zone, and Harris County, or the District, may thereafter enter into tax abatement agreements with owners of real property within the zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction, and by the District, for a period of up to 15 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date.

County-Wide Appraisal District

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

its tax rolls and tax rate. The valuation and assessment of taxable property within the District is governed by the Property Tax Code.

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

Assessment

Generally, all taxable property in the District (other than any qualifying agricultural and timberland) must be appraised at 100% of market value as of January 1 of each tax year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income, are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Implementation of this amendment could reduce the assessed value of builder inventory within the District. See "TAX DATA - Principal 2021 Property Owners." The Property Tax Code requires each appraisal district to implement a plan providing for reappraisal of all real property in the appraisal district at least once every four years. It is not known what frequency of reappraisal will be utilized by the HCAD or whether reappraisals will be conducted on a zone or county-wide basis.

The Property Tax Code permits land designated for agricultural use or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a landowner of qualified open-space land is a member of the U.S. armed forces, subject to certain conditions, the appraisal of the land as qualified open-space land does not change while the landowner is deployed or stationed outside Texas. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including for three years for agricultural use and for five years for agricultural land and timberland, prior to the loss of the designation.

The chief appraiser must give written notice before the appraisal review board meeting to each owner whose property value is recommended for an increase or if the recommended value is greater than the value rendered by the property owner. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice to the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, but not to exceed the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

District and Taxpayer Remedies

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

Collection

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. The District adopts its tax rate each year after it receives a tax roll certified by the Appraisal District. Taxes are due upon receipt of a bill therefor, and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later, or, if billed after January 10, they are delinquent on the first day of the month next following the 21st day after such taxes are billed. A delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid beginning the first calendar month it is delinquent. A delinquent tax also incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent plus a one percent (1%) penalty 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent (12%) of the amount of the delinquent tax without regard to the number of months the tax has been delinquent, which penalty remains at such rate without further increase. If the tax is not paid by July 1, an additional penalty of up to the amount of the compensation specified in the District's contract with its delinquent tax collection attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District. With respect to personal property taxes that become delinquent on or after February 1 of a year and that remain delinquent sixty (60) days after the date on which they become delinquent, as an alternative to the penalty described in the foregoing sentence, an additional penalty on personal property of up to the amount specified in the District's contract with its delinquent tax attorney, but not to exceed twenty percent (20%) of the total tax, penalty and interest, may, under certain circumstances, be imposed by the District prior to July 1. The District's contract with its delinquent tax collection attorney currently specifies a twenty percent (20%) additional penalty. The District may waive penalties and interest on delinquent taxes only if (i) an error or omission of a representative of the District, including the Appraisal District, caused the failure of the taxpayer to pay taxes, (ii) the delinquent taxes are paid on or before the one hundred and eightieth (180th) day after the taxpayer received proper notice of such delinquency and the delinquent taxes relate to a property for which the appraisal roll lists one or more certain specified inaccuracies, or (iii) the taxpayer submits evidence sufficient to show that the tax payment was delivered before the delinquency, date to the United States Postal Service or other delivery service, but an act or omission of the postal or delivery service resulted in the tax payment being considered delinquent. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency of taxes under certain circumstances. The owner of a residential homestead property who is a person sixty five (65) years of age or older or under a disability for purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act is also entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months (as determined by the District) when such person has not entered into another installment agreement with respect to delinquent taxes with the District in the preceding 24 months.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate Districts

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

Developed Districts

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

Developing Districts

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

The District

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due to the District, the District may file suit at any time after taxes become delinquent to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may also be adversely affected by the amount of taxes owed to other federal, state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's right to redeem the property within six months of foreclosure (unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years of foreclosure), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. Further, the District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under conservatorship or receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended. See "INVESTMENT CONSIDERATIONS - Tax Collection Limitations."

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not of the State of Texas, Harris County, Texas, the City of Baytown, Texas, or any political subdivision other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. The ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

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

National Economy: Although development in the District has occurred as is described in this Official Statement under the caption “DEVELOPMENT AND HOME CONSTRUCTION,” the District cannot predict the pace or magnitude of any future development in the District. The District cannot predict what impact, if any, a downturn in the local housing markets or in the national housing and financial markets may have on the Houston market generally and the District specifically, or the maintenance of assessed values in the District.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on commercial development activity and the construction of commercial projects, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which commercial developers are able to finance new commercial projects. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the District and of commercial developers to initiate the construction of commercial projects. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development. In addition, since the District is located approximately 30 miles east of the central downtown business district of the City of Houston and is located within the extraterritorial jurisdiction of the City of Baytown, Texas, the success of development within the District and growth and maintenance of District taxable property values are, to a great extent, a function of the Houston and Baytown metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and Baytown and in real estate and financial markets in the United States could adversely affect development plans in the District and restrain the growth of the District’s property tax base.

Maximum Impact on District Tax Rates

Assuming no further development or construction of additional commercial improvements within the District, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds will be \$1,312,600 (2036) and the Average Annual Debt Service Requirements will be \$1,255,987 (2022 through 2040, inclusive). The 2021 Assessed Valuation of property within the District (see "TAX DATA") is \$299,255,875. Assuming no increase to nor decrease from the 2021 Assessed Valuation, the issuance of no bonds by the District in addition to the Bonds and the Prior Bonds, and no use of District funds on hand, tax rates of \$0.47 and \$0.45 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District's Estimated Valuation at December 1, 2021, of property located within the District supplied by the Appraisal District is \$311,087,908 (see "TAX DATA"). Assuming no increase to nor decrease from the Estimated Valuation at December 1, 2021, the issuance of no bonds by the District in addition to the Bonds and the Prior Bonds, and no use of District funds on hand, tax rates of \$0.45 and \$0.43 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The District levied a debt service tax of \$0.42 per \$100 of Assessed Valuation in 2021, plus a maintenance tax of \$0.39 per \$100 of Assessed Valuation, and thus levied a total tax of \$0.81 per \$100 of Assessed Valuation in 2021. As is illustrated above, a debt service tax of \$0.42 per \$100 of Assessed Valuation will not be sufficient to pay debt service on the Bonds and the Outstanding Bonds given taxable values in the District at the level of the 2021 Assessed Valuation and Estimated Valuation at December 1, 2021, assuming that the District will have a tax collection rate of 95%, no use of District funds on hand, and the issuance of no additional bonds by the District. However, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values and Tax Collection History," the District has collected an average of 99.96% of its 2011 through 2020 tax levies as of December 31, 2021, and its 2021 levy was 78.50% collected as of such date. Additionally, the District's Debt Service Fund balance was \$1,482,764 as of January 18, 2022. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - ANNUAL AUDIT REPORT"). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2021 - \$0.42 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAXING PROCEDURES."

Increases in the District's tax rate to higher levels than the total \$0.81 per \$100 of Assessed Valuation rate that the District levied for 2021 may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy process. As is enumerated in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the total of the 2021 tax levies of all overlapping taxing units which levy taxes upon property located in the District, plus the District's 2021 rate, is \$3.09504. The District's total 2021 overlapping rate of \$3.09504 per \$100 of Assessed Valuation is higher than the total tax levies of some municipal utility districts in the Houston metropolitan area, including the area of the District, but is within the range of the total levies of many municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAXING PROCEDURES."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property,

by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure). 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 assessed against such taxpayer. The District's lien on taxable property within the District for taxes levied against such property can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the statutory 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, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it 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.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such 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, the 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 Owner could potentially and adversely impair the value of the Registered Owner's 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 the 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 a district.

The District may not be placed into bankruptcy involuntarily.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. There is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold or traded in the secondary market. See “SALE AND DISTRIBUTION OF THE BONDS.”

Future Debt

The District has the right to issue the remaining \$43,020,000 authorized but unissued bonds for waterworks, sanitary sewer and drainage facilities, and for refunding purposes (see “THE BONDS - Legal Ability to Issue Additional Debt”), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. In addition to the components of the System and Impact Fees that the District has financed with the proceeds of the Prior Bonds and is financing with the proceeds of the Bonds (see “THE BONDS - Use and Distribution of Bond Proceeds”), the District expects to finance the acquisition or construction of additional components of the System and Impact Fees with portions of the proceeds of bonds, if any, to be issued by the District in the future. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Competitive Nature of Houston and Baytown Construction Markets

The development and construction industries in the Houston metropolitan area and the City of Baytown are very competitive, and the District can give no assurance that any new development or commercial construction projects will be completed or undertaken within the District. The competitive position of any commercial developer(s) which might attempt future commercial development or commercial construction projects in the District will be affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Continuing Compliance with Certain Covenants

The Bond Order contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See “TAX MATTERS.”

Environmental Regulations

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

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

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

Air Quality Issues

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

The HGB Area is currently designated as a severe ozone nonattainment area under the 1997 Ozone Standards. 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 has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the HGB Area’s economic growth and development.

Water Supply & Discharge Issues

Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5 year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality based limitations and requirements to comply with the Texas water quality standards. Any water quality based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required 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. Costs associated with these compliance activities could be substantial in the future.

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches;

(e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of ongoing litigation.

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

Future and Proposed Legislation

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

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

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to the District’s Operator, the District’s System did not sustain any material damage and there was no interruption of water and sewer service. Further, according to the District’s Operator and Engineer, after investigation, although the District experienced street flooding, there was no apparent material wind or water damage to homes or commercial improvements within the District.

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

Specific Flood Type Risks

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

Reappraisal of Property After Disaster

The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are prorated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property. The District has not adopted an Order regarding the reappraisal of property.

Tax Payment Installments after Disaster

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

Infectious Disease Outbreak (COVID-19)

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

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

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

Potential Effects of Oil Price Fluctuations on the Houston Area

The recent fluctuations in oil prices in the U.S. and globally, which at times have led to the lowest such prices in three decades, may lead to adverse conditions in the oil and gas industry, including but not limited to reduced revenues, declines in capital and operating expenditures, business failures, and layoffs of workers. The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover

effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain certified proceedings had incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Young & Brooks, Houston, Texas, Bond Counsel ("Bond Counsel"), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from the levy of ad valorem taxes, without legal limit as to rate or amount, upon all taxable property located within the District, that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law, and that the Bonds are not "specified private activity bonds." See "THE BONDS - Source of Payment."

Legal Review

In its capacity as Bond Counsel, Young & Brooks has reviewed the information appearing in this Official Statement under the captions "THE BONDS" (except for the subsections entitled "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "TAXING PROCEDURES," "THE DISTRICT - Authority" and - "Management of the District - Counsel," "LEGAL MATTERS - Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection entitled "Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes the procedures, law and documents referred to therein. Such firm 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 this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent on the sale and delivery of the Bonds. Bond Counsel acts as general counsel for the District on matters other than the issuance of bonds.

No Arbitrage

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

No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance,

execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

Opinions

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

Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with the aforementioned representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as “qualified tax-exempt obligations.” Potential purchasers should be aware that if the issue price to the public (or, in the case of discount bonds, the amount payable at maturity) exceeds \$10,000,000, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be “qualified tax-exempt obligations.”

SOURCES OF INFORMATION

General

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

The District's audited financial statements for the year ended September 30, 2021, were prepared by Mark C. Eyring, CPA, PLLC, and have been included herein as "APPENDIX B." Mark C. Eyring, CPA, PLLC, have consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to engineering, to the description of the System generally and, in particular, the engineering information included in the section captioned "THE SYSTEM," has been provided by Cobb, Fendley & Associates, Inc., Houston, Texas. Such information has been included herein in reliance upon the authority of said firm as expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations contained in the sections captioned "DISTRICT DEBT" and "TAX DATA" has been provided by the Harris County Appraisal District and San Jacinto Tax Service Co., L.L.C. The District has included certain information herein in reliance upon the authority of the Harris County Appraisal District and San Jacinto Tax Service Co., L.L.C. as experts in the field of tax assessing and real property appraisal.

Updating of Official Statement

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

Certification as to Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In 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 events, to the Municipal Securities Rulemaking Board (“MSRB”) through the MSRB’s Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DISTRICT DEBT” and “TAX DATA” and in “APPENDIX B” (the Audit). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2021.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District’s audit is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements within the required time, and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax exempt status of the Bonds, or other material events affecting the tax exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District, any of which reflect financial difficulties. With respect to the Bonds, there are no “obligated persons” within the meaning of the Rule other than the District. The terms “financial obligation” and “material” when used in this paragraph shall each have the meaning ascribed to them under federal securities laws. The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

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

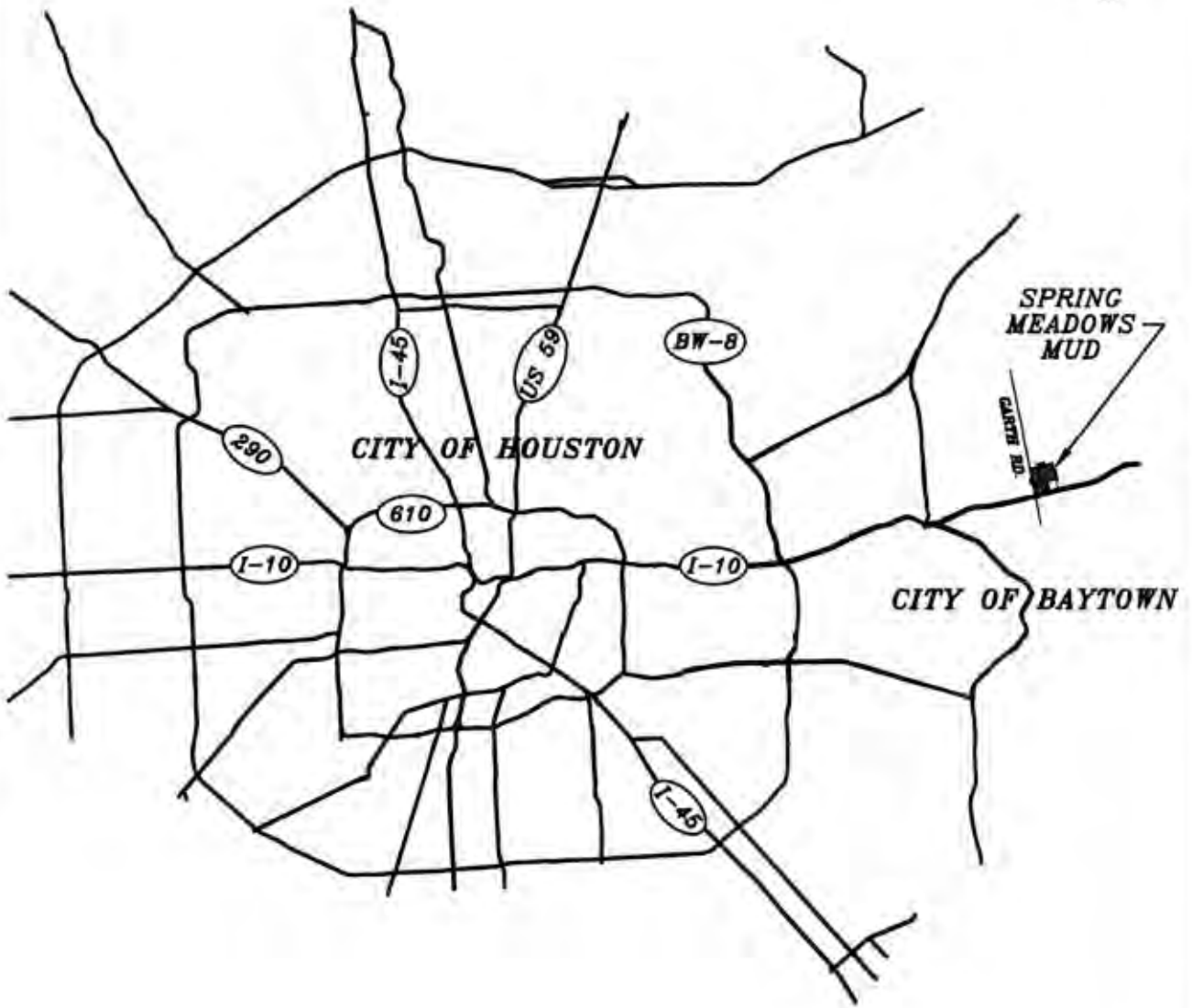
This Official Statement was approved by the Board of Directors of Spring Meadows Municipal Utility District as of the date shown on the first page hereof.

/s/ Frank Cope
President, Board of Directors
Spring Meadows Municipal Utility District

ATTEST:

/s/ Grady Green
Secretary, Board of Directors
Spring Meadows Municipal Utility District

APPENDIX A
LOCATION MAP



Scale: N.T.S.
5300 HOLLISTER, SUITE 400
HOUSTON, TEXAS 77040
(713) 482-3242
JUNE 2002

LOCATION MAP
SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS

APPENDIX B

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

SEPTEMBER 30, 2021

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT

HARRIS COUNTY, TEXAS

ANNUAL AUDIT REPORT

SEPTEMBER 30, 2021

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Mark C. Eyring, CPA, PLLC

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February 10, 2022

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Spring Meadows Municipal
Utility District
Harris County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Spring Meadows Municipal Utility District, as of and for the year ended September 30, 2021, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Spring Meadows Municipal Utility District as of September 30, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 7 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 20 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 21 to 40 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

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

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Spring Meadows Municipal Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2021.

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Financial Analysis of the District as a Whole

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

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

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

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

Summary of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current and other assets	\$ 4,072,860	\$ 3,852,173	\$ 220,687
Capital assets	<u>13,784,805</u>	<u>12,807,868</u>	<u>976,937</u>
Total assets	<u>17,857,665</u>	<u>16,660,041</u>	<u>1,197,624</u>
Long-term liabilities	14,486,549	13,860,129	626,420
Other liabilities	<u>1,100,572</u>	<u>1,111,157</u>	<u>(10,585)</u>
Total liabilities	<u>15,587,121</u>	<u>14,971,286</u>	<u>615,835</u>
Net position:			
Invested in capital assets, net of related debt	(1,230,941)	(1,619,354)	388,413
Restricted	1,656,024	1,569,680	86,344
Unrestricted	<u>1,845,461</u>	<u>1,738,429</u>	<u>107,032</u>
Total net position	<u>\$ 2,270,544</u>	<u>\$ 1,688,755</u>	<u>\$ 581,789</u>

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,334,152	\$ 2,233,132	\$ 101,020
Charges for services	1,401,526	1,387,112	14,414
Other revenues	<u>4,991</u>	<u>34,860</u>	<u>(29,869)</u>
Total revenues	<u>3,740,669</u>	<u>3,655,104</u>	<u>85,565</u>
Expenses:			
Service operations	2,721,848	2,539,597	182,251
Debt service	<u>437,032</u>	<u>621,489</u>	<u>(184,457)</u>
Total expenses	<u>3,158,880</u>	<u>3,161,086</u>	<u>(2,206)</u>
Change in net position	581,789	494,018	87,771
Net position, beginning of year	<u>1,688,755</u>	<u>1,194,737</u>	<u>494,018</u>
Net position, end of year	<u>\$ 2,270,544</u>	<u>\$ 1,688,755</u>	<u>\$ 581,789</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2021, were \$3,529,377, an increase of \$198,343 from the prior year.

The General Fund balance increased by \$109,422, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$89,430, in accordance with the District's financial plan.

The Capital Projects Fund balance decreased by \$509, as authorized expenditures exceeded interest earnings on deposits and investments.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 20 of this report. The budgetary fund balance as of September 30, 2021, was expected to be \$1,965,636 and the actual end of year fund balance was \$1,840,645.

Capital Asset and Debt Administration

Capital Assets

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Land and easements	\$ 159,428	\$ 159,428	\$ 0
Connection and Capital Buy-In Fees	2,367,263	2,367,263	0
Detention Ponds	2,285,815	2,285,815	0
Construction in progress	1,250,617	0	1,250,617
Water facilities	1,531,293	1,565,363	(34,070)
Sewer facilities	3,157,533	3,298,833	(141,300)
Drainage facilities	3,032,856	3,131,166	(98,310)
Totals	<u>\$ 13,784,805</u>	<u>\$ 12,807,868</u>	<u>\$ 976,937</u>

Changes to capital assets during the fiscal year ended September 30, 2021, are summarized as follows:

Additions:

Increase in estimated amount of developer construction	\$ 1,250,617
Water system improvements	<u>15,261</u>
Total additions to capital assets	1,265,878

Decreases:

Depreciation	<u>(288,941)</u>
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Net change to capital assets	<u>\$ 976,937</u>
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Debt

On February 10, 2022, the District sold its \$4,120,000 Series 2022 unlimited tax bonds.

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2021, are summarized as follows:

Bonded debt payable, beginning of fiscal year	\$ 14,000,000
Bonds paid	<u>(525,000)</u>
Bonded debt payable, end of fiscal year	<u>\$ 13,475,000</u>

At September 30, 2021, the District had \$47,140,000 unlimited tax bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's Series 2012, 2013 and 2016 bonds have an underlying rating of BBB+ by Standard & Poor's and the Series 2018 and 2020 bonds have an underlying rating of A3 by Moody's. The Series 2013 bonds are not insured. The Series 2012 and 2018 bonds are insured by Assured Guaranty Municipal Corp. The Series 2016 bonds are insured by Municipal Assurance Corp and the Series 2020 bonds are insured Build America Mutual Assurance Company. The rating of the Series 2013 bonds is BBB+ by Standard & Poor's. The insured rating of the Series 2012, 2016, 2018 and 2020 bonds is AA by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended September 30, 2021.

As further described in Note 5 of the notes to the financial statements, the developer within the District has constructed water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At September 30, 2021, the estimated amount due to the developer was \$1,250,617.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base increased approximately \$12,950,000 for the 2020 tax year (about 5%) due to the addition of new property to the tax base.

Relationship to the City of Baytown

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Baytown, the District must conform to a City of Baytown ordinance consenting to the creation of the District. In addition, the District may be annexed by the City of Baytown. If the District dissolve the District within ninety (90) days.

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

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

Water Supply Issues

The District is within the Harris-Galveston Subsidence District (the "Subsidence District"). The Subsidence District has ordered certain areas of suburban Houston to convert most of their water supply to surface water under various schedules. On August 15, 2000, the District and the City of Baytown (the "City") entered into a twenty-five year agreement. Under the terms of the agreement the City agreed to sell and deliver to the District potable water to the Service Area within the District. The District's contract with the Authority has satisfied the requirements of the Subsidence District.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2021

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 303,138	\$ 120,205	\$ 7,310	\$ 430,653	\$	\$ 430,653
Certificates of deposits, at cost, Note 7	241,620	481,797		723,417		723,417
Temporary investments, at cost, Note 7	1,689,390	995,157	90,002	2,774,549		2,774,549
Receivables:						
Property taxes	4,816	5,274		10,090		10,090
Accrued penalty and interest on property taxes				0	1,926	1,926
Service accounts	123,329			123,329		123,329
Accrued interest	185	295		480		480
Other	8,416			8,416		8,416
Due from other fund	1,601			1,601	(1,601)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	6,063,123	6,063,123
Depreciable capital assets				0	7,721,682	7,721,682
Total assets	<u>\$2,372,495</u>	<u>\$1,602,728</u>	<u>\$ 97,312</u>	<u>\$ 4,072,535</u>	<u>13,785,130</u>	<u>17,857,665</u>
LIABILITIES						
Accounts payable	\$ 221,466	\$ 4,433	\$	\$ 225,899		225,899
Due to City of Baytown	150,243			150,243		150,243
Accrued interest payable				0	39,908	39,908
Customer deposits	155,325			155,325		155,325
Maintenance taxes collected not yet Due to other fund		1,601		1,601	(1,601)	0
Long-term liabilities, Note 5:						
Due within one year				0	529,197	529,197
Due in more than one year				0	14,486,549	14,486,549
Total liabilities	<u>527,034</u>	<u>6,034</u>	<u>0</u>	<u>533,068</u>	<u>15,054,053</u>	<u>15,587,121</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	4,816	5,274	0	10,090	(10,090)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to:						
Debt service		1,591,420		1,591,420	(1,591,420)	0
Capital projects			97,312	97,312	(97,312)	0
Unassigned	1,840,645			1,840,645	(1,840,645)	0
Total fund balances	<u>1,840,645</u>	<u>1,591,420</u>	<u>97,312</u>	<u>3,529,377</u>	<u>(3,529,377)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$2,372,495</u>	<u>\$1,602,728</u>	<u>\$ 97,312</u>	<u>\$ 4,072,535</u>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(1,230,941)	(1,230,941)
Restricted for debt service					1,558,712	1,558,712
Restricted for capital projects					97,312	97,312
Unrestricted					1,845,461	1,845,461
Total net position					<u>\$ 2,270,544</u>	<u>\$ 2,270,544</u>

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

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT

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

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Activities</u>
REVENUES						
Property taxes	\$ 1,103,326	\$ 1,216,850	\$	\$ 2,320,176	\$ (4,928)	\$ 2,315,248
Water service	479,651			479,651		479,651
Sewer service	790,406			790,406		790,406
Penalty, interest and other	85,769	20,032		105,801	(1,128)	104,673
Tap connection and inspection fees	45,700			45,700		45,700
Interest on deposits and investments	<u>1,846</u>	<u>3,129</u>	<u>16</u>	<u>4,991</u>		<u>4,991</u>
Total revenues	<u>2,506,698</u>	<u>1,240,011</u>	<u>16</u>	<u>3,746,725</u>	<u>(6,056)</u>	<u>3,740,669</u>
EXPENDITURES / EXPENSES						
Service operations:						
Purchased services, Note 9	1,392,320			1,392,320		1,392,320
Professional fees	219,438	19,498	525	239,461		239,461
Contracted services	121,097	29,401		150,498		150,498
Repairs, maintenance and other operating expenditures	318,510			318,510		318,510
Garbage disposal	257,591			257,591		257,591
Administrative expenditures	48,551	1,468		50,019		50,019
Depreciation				0	288,941	288,941
Capital outlay / non-capital outlay	39,769			39,769	(15,261)	24,508
Debt service:						
Principal retirement		525,000		525,000	(525,000)	0
Interest and fees		<u>575,214</u>		<u>575,214</u>	<u>(138,182)</u>	<u>437,032</u>
Total expenditures / expenses	<u>2,397,276</u>	<u>1,150,581</u>	<u>525</u>	<u>3,548,382</u>	<u>(389,502)</u>	<u>3,158,880</u>
Excess (deficiency) of revenues over expenditures	<u>109,422</u>	<u>89,430</u>	<u>(509)</u>	<u>198,343</u>	<u>383,446</u>	<u>581,789</u>
Net change in fund balances / net position	109,422	89,430	(509)	198,343	383,446	581,789
Beginning of year	<u>1,731,223</u>	<u>1,501,990</u>	<u>97,821</u>	<u>3,331,034</u>	<u>(1,642,279)</u>	<u>1,688,755</u>
End of year	<u>\$ 1,840,645</u>	<u>\$ 1,591,420</u>	<u>\$ 97,312</u>	<u>\$ 3,529,377</u>	<u>\$ (1,258,833)</u>	<u>\$ 2,270,544</u>

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

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1: REPORTING ENTITY

Spring Meadows Municipal Utility District (the "District") was created by Acts of the 76th Legislature of the State of Texas, Regular Session, 1999, effective May 6, 1999, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on June 9, 1999 and the first bonds were sold on January 20, 2005. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 3,529,377
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total capital assets, net		13,784,805
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (13,475,000)	
Accreted interest payable	177,060	
Deferred charge on refunding (to be amortized as interest expense)	251,004	
Issuance discount (to be amortized as interest expense)	(718,193)	
Due to developer for construction	<u>(1,250,617)</u>	(15,015,746)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	1,926	
Uncollected property taxes	<u>10,090</u>	12,016
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(39,908)</u>
Net position, end of year		<u>\$ 2,270,544</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ 198,343
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 15,261	
Depreciation	<u>(288,941)</u>	(273,680)
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction		525,000
<p>The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Refunding charges	(30,607)	
Issuance premiums, net of discounts	<u>72,700</u>	42,093
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	(1,128)	
Uncollected property taxes	<u>(4,928)</u>	(6,056)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accreted interest	95,000	
Accrued interest	<u>1,089</u>	<u>96,089</u>
Change in net position		<u>\$ 581,789</u>

NOTE 4: CAPITAL ASSETS

At September 30, 2021, "Invested in capital assets, net of related debt" was \$(1,230,941). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. In addition, some expenditures from bond proceeds were for the acquisition of capital assets beneath the capitalization threshold of \$5,000 (see Note 2) and some authorized expenditures were not for capital assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 159,428	\$	\$	\$ 159,428
Connection and Capital Buy-In Fees	2,367,263			2,367,263
Detention Ponds	2,285,815			2,285,815
Construction in progress	0	1,250,617		1,250,617
 Total capital assets not being depreciated	 <u>4,812,506</u>	 <u>1,250,617</u>	 <u>0</u>	 <u>6,063,123</u>
Depreciable capital assets:				
Water system	2,204,603	15,261		2,219,864
Sewer system	5,031,560			5,031,560
Drainage system	4,423,964			4,423,964
 Total depreciable capital assets	 <u>11,660,127</u>	 <u>15,261</u>	 <u>0</u>	 <u>11,675,388</u>
Less accumulated depreciation for:				
Water system	(639,240)	(49,331)		(688,571)
Sewer system	(1,732,727)	(141,300)		(1,874,027)
Drainage system	(1,292,798)	(98,310)		(1,391,108)
 Total accumulated depreciation	 <u>(3,664,765)</u>	 <u>(288,941)</u>	 <u>0</u>	 <u>(3,953,706)</u>
 Total depreciable capital assets, net	 <u>7,995,362</u>	 <u>(273,680)</u>	 <u>0</u>	 <u>7,721,682</u>
 Total capital assets, net	 <u>\$ 12,807,868</u>	 <u>\$ 976,937</u>	 <u>\$ 0</u>	 <u>\$ 13,784,805</u>
Changes to capital assets:				
Assets transferred to non-depreciable assets		\$ 15,261	\$	
Increase in liability to developer		1,250,617		
Less depreciation expense for the fiscal year		<u>(288,941)</u>		
 Net increases / decreases to capital assets		 <u>\$ 976,937</u>	 <u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

On February 10, 2022, the District sold its \$4,120,000 Series 2022 unlimited tax bonds.

Long-term liability activity for the fiscal year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 14,000,000	\$	\$ 525,000	\$ 13,475,000	\$ 625,000
Deferred amounts:					
Interest accreted	(82,060)	(95,000)		(177,060)	(89,915)
Issuance premiums (discounts)	790,893		72,700	718,193	24,132
Refunding charges	<u>(281,611)</u>		<u>(30,607)</u>	<u>(251,004)</u>	<u>(30,020)</u>
 Total bonds payable	 <u>14,427,222</u>	 <u>(95,000)</u>	 <u>567,093</u>	 <u>13,765,129</u>	 <u>529,197</u>
Due to developer for construction (see below)	<u>0</u>	<u>1,250,617</u>	<u>0</u>	<u>1,250,617</u>	<u>-----</u>
 Total long-term liabilities	 <u>\$ 14,427,222</u>	 <u>\$ 1,155,617</u>	 <u>\$ 567,093</u>	 <u>\$ 15,015,746</u>	 <u>\$ 529,197</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of September 30, 2021, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 625,000	\$ 478,900	\$ 1,103,900
2023	640,000	460,300	1,100,300
2024	665,000	441,100	1,106,100
2025	690,000	420,150	1,110,150
2026	715,000	395,800	1,110,800
2027 - 2031	4,020,000	1,578,600	5,598,600
2032 - 2036	4,940,000	792,750	5,732,750
2037	1,180,000	40,550	1,220,550
	<u>\$ 13,475,000</u>	<u>\$ 4,608,150</u>	<u>\$ 18,083,150</u>

Bonds voted	\$ 67,000,000
Bonds approved for sale and sold	19,860,000
Bonds voted and not issued	47,140,000

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

The bond issues payable at September 30, 2021, were as follows:

	<u>Refunding Series 2012</u>	<u>Series 2013</u>
Amounts outstanding, September 30, 2021	\$160,000	\$150,000
Interest rates	3.00%	2.80% to 3.00%
Maturity dates, serially beginning/ending	September 1, 2022	September 1, 2022/2023
Interest payment dates	March 1/September 1	March 1/September 1
Callable dates	September 1, 2019*	September 1, 2019*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Refunding Series 2016</u>	<u>Refunding Series 2018</u>	<u>Refunding Series 2020</u>
Amounts outstanding, September 30, 2021	\$5,065,000	\$3,865,000	\$4,235,000
Interest rates	3.00% to 4.00%	3.00% to 4.00%	3.00%
Maturity dates, serially beginning/ending	September 1, 2022/2035	September 1, 2022/2037	September 1, 2022/2037
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2023*	September 1, 2023*	September 1, 2025*

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

Developer Construction Commitments and Liabilities

The developer within the District has constructed certain underground facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at September 30, 2021, was \$1,250,617. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES

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

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

At an election held November 6, 2001, the voters within the District authorized a maintenance tax not to exceed \$1.25 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

On September 10, 2020, the District levied the following ad valorem taxes for the 2020 tax year on the adjusted taxable valuation of \$281,084,831:

	Rate	Amount
Debt service	\$ 0.4300	\$ 1,208,665
Maintenance	0.3900	1,096,231
	\$ 0.8200	\$ 2,304,896

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

2020 tax year total property tax levy	\$ 2,304,896
Appraisal district adjustments to prior year taxes	10,352
Statement of Activities property tax revenues	\$ 2,315,248

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$2,774,549.

Deposits restricted by state statutes and the Bond Orders:

Debt Service Fund

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

Cash	\$ 120,205
Certificates of deposit	481,797
Temporary investments	995,157
	\$ 1,597,159

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital Projects Fund

For construction of capital assets:

Cash		\$	7,310
Temporary investments			<u>90,002</u>
		\$	<u>97,312</u>

NOTE 8: RISK MANAGEMENT

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

At September 30, 2021, the District had physical damage of \$1,735,000, boiler and machinery coverage of \$1,735,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, automobile liability coverage of \$1,000,000, consultant’s crime coverage of \$10,000 and a tax assessor-collector bond of \$100,000.

NOTE 9: CONTRACT WITH CITY OF BAYTOWN

On August 15, 2000, the District and the City of Baytown (the "City") entered into a twenty-five year agreement. Under the terms of the agreement the City agreed to sell and deliver to the District potable water and sewer treatment services to the Service Area within the District. The Service Area within the District was defined by the contract. The District is required to pay to the City residential Capital Buy-In Fees and residential Connection Fees, to be paid on a per-subdivision section basis prior to making any service connections within the subdivision in question. The District also is to pay to the City monthly water and sewer service charges. Water and sewer service charges accrued during the fiscal year ended September 30, 2021, were \$1,392,320.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,084,435	\$ 1,084,435	\$ 1,103,326	\$ 18,891
Water service	580,000	580,000	479,651	(100,349)
Sewer service	723,000	723,000	790,406	67,406
Penalty and other	0	0	85,769	85,769
Tap connection and inspection fees	1,500	1,500	45,700	44,200
Interest on deposits and investments	15,000	15,000	1,846	(13,154)
TOTAL REVENUES	<u>2,403,935</u>	<u>2,403,935</u>	<u>2,506,698</u>	<u>102,763</u>
EXPENDITURES				
Service operations:				
Purchased services	1,210,000	1,210,000	1,392,320	182,320
Professional fees	245,950	245,950	219,438	(26,512)
Contracted services	102,000	102,000	121,097	19,097
Repairs, maintenance and other operating expenditures	307,000	307,000	318,510	11,510
Garbage disposal	244,872	244,872	257,591	12,719
Administrative expenditures	57,700	57,700	48,551	(9,149)
Capital outlay	2,000	2,000	39,769	37,769
TOTAL EXPENDITURES	<u>2,169,522</u>	<u>2,169,522</u>	<u>2,397,276</u>	<u>227,754</u>
EXCESS REVENUES (EXPENDITURES)	234,413	234,413	109,422	(124,991)
FUND BALANCE, BEGINNING OF YEAR	<u>1,731,223</u>	<u>1,731,223</u>	<u>1,731,223</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,965,636</u>	<u>\$ 1,965,636</u>	<u>\$ 1,840,645</u>	<u>\$ (124,991)</u>

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

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

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
SEPTEMBER 30, 2021

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

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

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES
SEPTEMBER 30, 2021

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$25.00	8,000	N	\$2.50 3.00	8,001 to 20,000 Over 20,000
WASTEWATER:	\$45.01	8,000	N	\$2.50	Over 8,000
SURCHARGE:	0.50 % of monthly billing -- TCEQ assessment fees.				

District employs winter averaging for wastewater usage: Yes No

Total charges per 10,000 gallons usage: Water: \$30.00 Wastewater: \$50.01 Surcharge: \$0.40

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF SERVICES AND RATES (Continued)
SEPTEMBER 30, 2021

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	1,397	1,393	1.0	1,393
1"	6	6	2.5	15
1-1/2"	0	0	5.0	0
2"	9	9	8.0	72
3"	0	0	15.0	0
4"	1	1	25.0	25
6"	2	2	50.0	100
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>1,415</u>	<u>1,411</u>		<u>1,605</u>
Total Wastewater	<u>1,402</u>	<u>1,398</u>	1.0	<u>1,398</u>

*Single family equivalents

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

Gallons pumped into system (unaudited): 115,148
Gallons billed to customers (unaudited): 110,824

Water Accountability Ratio
(Gallons billed/ gallons pumped): 96%

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

Does the District have Debt Service standby fees? Yes No

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

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

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

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased water and sewer services	\$ 1,392,320	\$ 0	\$ 0	\$ 1,392,320
Professional fees:				
Auditing	10,950			10,950
Legal	174,682	19,498	525	194,705
Engineering	33,806			33,806
	<u>219,438</u>	<u>19,498</u>	<u>525</u>	<u>239,461</u>
Contracted services:				
Bookkeeping	16,413			16,413
Operation and billing	104,684			104,684
Tax assessor-collector		12,757		12,757
Appraisal district		16,644		16,644
	<u>121,097</u>	<u>29,401</u>	<u>0</u>	<u>150,498</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	278,287			278,287
Laboratory costs	12,440			12,440
Sewer inspection costs	10,428			10,428
Utilities	11,572			11,572
TCEQ assessment	5,783			5,783
	<u>318,510</u>	<u>0</u>	<u>0</u>	<u>318,510</u>
Garbage disposal	<u>257,591</u>	<u>0</u>	<u>0</u>	<u>257,591</u>
Administrative expenditures:				
Director's fees	10,650			10,650
Office supplies and postage	21,697			21,697
Insurance	11,255	500		11,755
Permits	3,207			3,207
Other	1,742	968		2,710
	<u>48,551</u>	<u>1,468</u>	<u>0</u>	<u>50,019</u>

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT

EXPENDITURES, (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CAPITAL OUTLAY				
Authorized expenditures	\$ 15,261	\$	\$	\$ 15,261
Tap connection costs	24,508			24,508
	<u>39,769</u>	<u>0</u>	<u>0</u>	<u>39,769</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>525,000</u>	<u>0</u>	<u>525,000</u>
Interest and fees:				
Interest		571,964		571,964
Paying agent fees		3,250		3,250
	<u>0</u>	<u>575,214</u>	<u>0</u>	<u>575,214</u>
TOTAL EXPENDITURES	<u>\$ 2,397,276</u>	<u>\$ 1,150,581</u>	<u>\$ 525</u>	<u>\$ 3,548,382</u>

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 1,397,867	\$ 1,240,328	\$ 16	\$ 2,638,211
Maintenance tax receipts		1,103,326		1,103,326
Transfer of maintenance taxes	1,102,224			1,102,224
Increase in customer deposits	13,550			13,550
Funds received for City of Baytown	64,227			64,227
Receipt of interfund receivable		7,717		7,717
Overpayments from taxpayers		6,463		6,463
	<u>2,577,868</u>	<u>2,357,834</u>	<u>16</u>	<u>4,935,718</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED				
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	2,357,640	79,010	525	2,437,175
Capital outlay	39,769			39,769
Debt service		1,100,214		1,100,214
Transfer of maintenance taxes		1,102,224		1,102,224
Payment of interfund payable	7,717			7,717
Refund of taxpayer overpayments		6,463		6,463
	<u>2,405,126</u>	<u>2,287,911</u>	<u>525</u>	<u>4,693,562</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED				
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	172,742	69,923	(509)	242,156
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>2,061,406</u>	<u>1,527,236</u>	<u>97,821</u>	<u>3,686,463</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 2,234,148</u>	<u>\$ 1,597,159</u>	<u>\$ 97,312</u>	<u>\$ 3,928,619</u>

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS
SEPTEMBER 30, 2021

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 36001402	0.20%	11/11/21	\$ 241,620	\$ 185
TexPool				
No. 7895500001	Market	On demand	\$ 1,689,390	\$ 0
DEBT SERVICE FUND				
Certificates of Deposit				
No. 6000016524	0.35%	12/06/21	\$ 240,838	\$ 266
No. 3300041727	0.20%	3/09/22	240,959	29
			<u>\$ 481,797</u>	<u>\$ 295</u>
TexPool				
No. 7895500002	Market	On demand	\$ 995,157	\$ 0
CAPITAL PROJECTS FUND				
TexPool				
No. 7895500003	Market	On demand	\$ 90,002	\$ 0
Total All Funds			<u>\$ 3,497,966</u>	<u>\$ 480</u>

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 7,206	\$ 7,812
Additions and corrections to prior year taxes	<u>4,705</u>	<u>5,647</u>
Adjusted receivable, beginning of year	11,911	13,459
2020 ADJUSTED TAX ROLL	<u>1,096,231</u>	<u>1,208,665</u>
Total to be accounted for	1,108,142	1,222,124
Tax collections: Current tax year	(1,092,888)	(1,204,979)
Prior tax years	<u>(10,438)</u>	<u>(11,871)</u>
RECEIVABLE, END OF YEAR	<u>\$ 4,816</u>	<u>\$ 5,274</u>
RECEIVABLE, BY TAX YEAR		
2017	\$ 42	\$ 50
2018	0	0
2019	1,431	1,538
2020	<u>3,343</u>	<u>3,686</u>
RECEIVABLE, END OF YEAR	<u>\$ 4,816</u>	<u>\$ 5,274</u>

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2021

ADJUSTED PROPERTY VALUATIONS
AS OF JANUARY 1 OF TAX YEAR

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 67,122,323	\$ 60,607,807	\$ 48,914,406	\$ 48,493,367
Improvements	220,284,193	212,640,921	201,111,878	196,527,549
Personal property	3,721,412	2,714,457	3,563,854	2,605,609
Less exemptions	<u>(10,043,097)</u>	<u>(7,826,090)</u>	<u>(6,593,383)</u>	<u>(6,511,500)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 281,084,831</u>	 <u>\$ 268,137,095</u>	 <u>\$ 246,996,755</u>	 <u>\$ 241,115,025</u>

TAX RATES PER \$100 VALUATION

Debt service tax rates	\$ 0.43000	\$ 0.43000	\$ 0.45000	\$ 0.47000
Maintenance tax rates*	<u>0.39000</u>	<u>0.40000</u>	<u>0.39000</u>	<u>0.39000</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.82000</u>	 <u>\$ 0.83000</u>	 <u>\$ 0.84000</u>	 <u>\$ 0.86000</u>

TAX ROLLS	<u>\$ 2,304,896</u>	<u>\$ 2,222,681</u>	<u>\$ 2,070,499</u>	<u>\$ 2,073,589</u>
-----------	---------------------	---------------------	---------------------	---------------------

PERCENT OF TAXES COLLECTED
TO TAXES LEVIED

<u>99.7 %</u>	<u>99.9 %</u>	<u>100 %</u>	<u>99.9 %</u>
---------------	---------------	--------------	---------------

*Maximum tax rate approved by voters on November 6, 2001: \$1.25

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
SEPTEMBER 30, 2021

<u>Series 2012</u>			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 160,000	\$ 4,800	\$ 164,800
 <u>Series 2013</u>			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 75,000	\$ 4,350	\$ 79,350
2023	75,000	2,250	77,250
TOTALS	\$ 150,000	\$ 6,600	\$ 156,600

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2021

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2016</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 240,000	\$ 195,150	\$ 435,150
2023	250,000	187,950	437,950
2024	255,000	180,450	435,450
2025	260,000	172,800	432,800
2026	275,000	162,400	437,400
2027	285,000	151,400	436,400
2028	290,000	140,000	430,000
2029	300,000	128,400	428,400
2030	310,000	116,400	426,400
2031	320,000	104,000	424,000
2032	330,000	91,200	421,200
2033	620,000	78,000	698,000
2034	650,000	53,200	703,200
2035	680,000	27,200	707,200
TOTALS	<u>\$ 5,065,000</u>	<u>\$ 1,788,550</u>	<u>\$ 6,853,550</u>

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2021

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2018</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 95,000	\$ 147,550	\$ 242,550
2023	95,000	144,700	239,700
2024	100,000	141,850	241,850
2025	105,000	137,850	242,850
2026	110,000	133,650	243,650
2027	115,000	129,250	244,250
2028	125,000	124,650	249,650
2029	135,000	119,650	254,650
2030	145,000	114,250	259,250
2031	150,000	108,450	258,450
2032	160,000	102,450	262,450
2033	170,000	96,050	266,050
2034	170,000	89,250	259,250
2035	175,000	82,450	257,450
2036	985,000	75,450	1,060,450
2037	<u>1,030,000</u>	<u>36,050</u>	<u>1,066,050</u>
TOTALS	<u>\$ 3,865,000</u>	<u>\$ 1,783,550</u>	<u>\$ 5,648,550</u>

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2021

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2020</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2022	\$ 55,000	\$ 127,050	\$ 182,050
2023	220,000	125,400	345,400
2024	310,000	118,800	428,800
2025	325,000	109,500	434,500
2026	330,000	99,750	429,750
2027	345,000	89,850	434,850
2028	360,000	79,500	439,500
2029	365,000	68,700	433,700
2030	380,000	57,750	437,750
2031	395,000	46,350	441,350
2032	410,000	34,500	444,500
2033	140,000	22,200	162,200
2034	145,000	18,000	163,000
2035	150,000	13,650	163,650
2036	155,000	9,150	164,150
2037	150,000	4,500	154,500
TOTALS	<u>\$ 4,235,000</u>	<u>\$ 1,024,650</u>	<u>\$ 5,259,650</u>

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2021

<u>Due During Fiscal Years Ending September 30</u>	Annual Requirements for All Series		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2022	\$ 625,000	\$ 478,900	\$ 1,103,900
2023	640,000	460,300	1,100,300
2024	665,000	441,100	1,106,100
2025	690,000	420,150	1,110,150
2026	715,000	395,800	1,110,800
2027	745,000	370,500	1,115,500
2028	775,000	344,150	1,119,150
2029	800,000	316,750	1,116,750
2030	835,000	288,400	1,123,400
2031	865,000	258,800	1,123,800
2032	900,000	228,150	1,128,150
2033	930,000	196,250	1,126,250
2034	965,000	160,450	1,125,450
2035	1,005,000	123,300	1,128,300
2036	1,140,000	84,600	1,224,600
2037	1,180,000	40,550	1,220,550
TOTALS	\$ 13,475,000	\$ 4,608,150	\$ 18,083,150

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2011	2012	2013
Interest Rate:	Not Applicable	3.00%	2.80% to 3.00%
Dates Interest Payable:	Not Applicable	March 1/ September 1	March 1/ September 1
Maturity Dates:	Not Applicable	September 1, 2022	September 1, 2022/2023
Bonds Outstanding at Beginning of Current Year	\$ 35,000	\$ 315,000	\$ 220,000
Less Retirements	<u>(35,000)</u>	<u>(155,000)</u>	<u>(70,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 0</u>	<u>\$ 160,000</u>	<u>\$ 150,000</u>
Current Year Interest Paid	<u>\$ 1,444</u>	<u>\$ 9,450</u>	<u>\$ 6,170</u>

Bond Descriptions and Original Amount of Issue

- (1) Spring Meadows Municipal Utility District Unlimited Tax Bonds, Series 2011 (\$955,000)
- (2) Spring Meadows Municipal Utility District Unlimited Tax Refunding Bonds, Series 2012 (\$2,930,000)
- (3) Spring Meadows Municipal Utility District Unlimited Tax Bonds, Series 2013 (\$2,225,000)

Paying Agent/Registrar

- (1) (2) (3) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 67,000,000	\$ 0	\$ 0
Amount Issued:	19,860,000		
Remaining to be Issued:	47,140,000		

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>Totals</u>
Bond Series:	2016	2018	2020	
Interest Rate:	3.00% to 4.00%	3.00% to 4.00%	3.00%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity Dates:	September 1, 2022/2035	September 1, 2022/2037	September 1, 2022/2037	
Bonds Outstanding at Beginning of Current Year	\$ 5,300,000	\$ 3,880,000	\$ 4,250,000	\$ 14,000,000
Less Retirements	<u>(235,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(525,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 5,065,000</u>	<u>\$ 3,865,000</u>	<u>\$ 4,235,000</u>	<u>\$ 13,475,000</u>
Current Year Interest Paid	<u>\$ 199,850</u>	<u>\$ 227,550</u>	<u>\$ 127,500</u>	<u>\$ 571,964</u>

Bond Descriptions and Original Amount of Issue

- (4) Spring Meadows Municipal Utility District Unlimited Tax Refunding Bonds, Series 2016 (\$5,995,000)
- (5) Spring Meadows Municipal Utility District Unlimited Tax Refunding Bonds, Series 2018 (\$3,920,000)
- (6) Spring Meadows Municipal Utility District Unlimited Tax Refunding Bonds, Series 2020 (\$4,275,000)

Paying Agent/Registrar

- (4) (5) (6) The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Net Debt Service Fund deposits and investments balances as of September 30, 2021 : \$1,591,420
Average annual debt service payment for remaining term of all debt: 1,130,197

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
REVENUES										
Property taxes	\$ 1,103,326	\$ 1,066,079	\$ 967,845	\$ 941,196	\$ 849,645	44.1 %	43.2 %	42.7 %	39.8 %	40.7 %
Water service	479,651	464,062	445,159	464,430	444,335	19.1	18.8	19.6	19.7	21.2
Sewer service	790,406	767,709	737,387	757,335	737,174	31.5	31.1	32.5	32.1	35.2
Penalty and other	85,769	69,551	65,744	54,156	50,938	3.4	2.8	2.9	2.3	2.4
Tap connection and inspection fees	45,700	85,790	12,550	121,150	0	1.8	3.5	0.6	5.1	0.0
Interest on deposits and investments	1,846	14,505	39,437	23,882	9,690	0.1	0.6	1.7	1.0	0.5
TOTAL REVENUES	2,506,698	2,467,696	2,268,122	2,362,149	2,091,782	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Purchased services	1,392,320	1,218,339	1,476,295	1,340,530	1,261,376	55.5	49.3	65.1	56.8	60.3
Professional fees	219,438	236,580	229,832	239,573	220,837	8.8	9.6	10.1	10.1	10.6
Contracted services	121,097	102,638	96,003	94,949	88,077	4.8	4.2	4.2	4.0	4.2
Repairs and maintenance and other operating expenditures	318,510	284,887	238,038	297,843	202,682	12.7	11.5	10.5	12.6	9.7
Garbage	257,591	246,104	241,904	226,128	252,708	10.3	10.0	10.7	9.6	12.1
Administrative expenditures	48,551	58,619	54,712	46,955	45,463	1.9	2.4	2.4	2.0	2.2
Capital outlay	39,769	65,825	3,850	65,590	17,711	1.6	2.7	0.2	2.8	0.8
TOTAL EXPENDITURES	2,397,276	2,212,992	2,340,634	2,311,568	2,088,854	95.6	89.7	103.2	97.9	99.9
EXCESS REVENUES (EXPENDITURES)	\$ 109,422	\$ 254,704	\$ (72,512)	\$ 50,581	\$ 2,928	4.4 %	10.3 %	(3.2) %	2.1 %	0.1 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,411	1,390	1,331	1,328	1,325					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,398	1,377	1,319	1,316	1,315					

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
REVENUES										
Property taxes	\$ 1,216,850	\$ 1,146,142	\$ 1,117,066	\$ 1,135,565	\$ 1,155,027	98.1 %	97.2 %	95.6 %	94.7 %	98.1 %
Penalty and interest	20,032	6,382	11,560	38,610	12,385	1.6	0.5	1.0	3.2	1.1
Accrued interest on bonds received at date of sale	0	8,194	0	1,645	0	0.0	0.7	0.0	0.1	0.0
Interest on deposits and investments	3,129	18,892	39,657	23,492	9,700	0.3	1.6	3.4	2.0	0.8
TOTAL REVENUES	<u>1,240,011</u>	<u>1,179,610</u>	<u>1,168,283</u>	<u>1,199,312</u>	<u>1,177,112</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	19,498	14,791	29,280	12,722	16,555	1.6	1.3	2.5	1.1	1.4
Contracted services	29,401	29,650	28,208	27,493	26,248	2.4	2.5	2.4	2.3	2.2
Other expenditures	1,468	2,421	1,459	1,201	1,254	0.1	0.2	0.1	0.1	0.1
Debt service:										
Principal retirement	525,000	525,000	565,000	545,000	415,000	42.3	44.5	48.4	45.4	35.3
Interest and fees	575,214	580,991	573,098	589,988	808,313	46.4	49.2	49.1	49.2	68.7
TOTAL EXPENDITURES	<u>1,150,581</u>	<u>1,152,853</u>	<u>1,197,045</u>	<u>1,176,404</u>	<u>1,267,370</u>	<u>92.8</u>	<u>97.7</u>	<u>102.5</u>	<u>98.1</u>	<u>107.7</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 89,430</u>	<u>\$ 26,757</u>	<u>\$ (28,762)</u>	<u>\$ 22,908</u>	<u>\$ (90,258)</u>	<u>7.2 %</u>	<u>2.3 %</u>	<u>(2.5) %</u>	<u>1.9 %</u>	<u>(7.7) %</u>

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

SEPTEMBER 30, 2021

Complete District Mailing Address: Spring Meadows Municipal Utility District
c/o Young & Brooks
10000 Memorial Drive, Suite 260
Houston, Texas 77024

District Business Telephone No.: 713-651-0800

Submission date of the most recent District Registration Form: August 9, 2021

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Frank Cope 12910 Meadowline Houston, Texas 77082	Elected 5/05/16- 5/02/20	\$ 1,650	\$ 0	President
Denise Campbell 45 Saddlebrook Lane Houston, Texas 77024	Elected 5/05/18- 5/07/22	1,800	0	Vice President
Grady Green 703 Winchester Bend Huffman, Texas 77336	Elected 5/05/16- 5/02/20	2,100	70	Secretary
Russell Ruth 111 Birchwood Drive Huffman, Texas 77336	Appointed 12/10/20- 5/07/22	3,000	197	Assistant Secretary
Bob Becktell 25950 Century Oaks Boulevard Hockley, Texas 77447	Appointed 8/09/18- 5/02/20	1,800	0	Director

See accompanying independent auditor's report.

SPRING MEADOWS MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

SEPTEMBER 30, 2021

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Young & Brooks 10000 Memorial Drive, Suite 260 Houston, Texas 77024	12/3/99	\$ 194,705	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	9/6/01	17,892	Bookkeeper
Mary Jarmon 3401 Louisiana, Suite 400 Houston, Texas 77002	1/12/06	0	Investment Officer
Texas Operations & Professional Services 9835 Whithorn Drive Houston, Texas 77035	1/22/04	373,400	Operator
Cobb, Fendley & Associates, Inc. 13430 Northwest Freeway, Suite 1100 Houston, Texas 77040	1/22/04	33,806	Engineer
San Jacinto Tax Service, LLC 103 Kerry Road Highlands, Texas 77562	4/13/06	13,874	Tax Assessor-Collector
Harris County Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	16,644	Central Appraisal District
Rathmann & Associates, L.P. 8584 Katy Freeway, Suite 250 Houston, Texas 77024	6/14/03	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	1/28/03	10,981	Independent Auditor

See accompanying independent auditor's report.

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

