

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

The Bonds are NOT “qualified tax-exempt obligations” for financial institutions.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 961778

RATING: Insured “AA” (stable outlook) S&P

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

\$11,000,000

WESTWOOD MANAGEMENT DISTRICT

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

UNLIMITED TAX BONDS

SERIES 2022

Dated: March 1, 2022

Due: April 1 (as shown below)

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

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



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$250,000	2023	5.000%	1.00%	\$325,000	2031(b)	5.000%	2.15%
\$275,000	2024	5.000%	1.20%	\$350,000	2032(b)	4.625%	2.20%
\$275,000	2025	5.000%	1.40%	\$350,000	2033(b)	3.000%	2.35%
\$300,000	2026	5.000%	1.60%	\$375,000	2034(b)	3.000%	2.40%
\$300,000	2027	5.000%	1.75%	\$375,000	2035(b)	3.000%	2.45%
\$300,000	2028	5.000%	1.90%	\$400,000	2036(b)	3.000%	2.50%
\$325,000	2029	5.000%	2.00%	\$400,000	2037(b)	3.000%	2.55%
\$325,000	2030	5.000%	2.10%				

\$875,000 3.00% Term Bond Due April 1, 2039 to Yield 2.60% (a) (b) (c)
 \$900,000 3.00% Term Bond Due April 1, 2041 to Yield 2.65% (a) (b) (c)
 \$2,000,000 2.75% Term Bond Due April 1, 2045 to Yield 2.85% (a) (b) (c)
 \$2,300,000 2.00% Term Bond Due April 1, 2049 to Yield 3.10% (a) (b) (c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced to maturity or to the first call date.
- (b) The Bonds maturing on or after April 1, 2031, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2030 or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The Proceeds from the sale of the Bonds will be used by Westwood Management District (the “District”) to: (1) reimburse the Developer (as defined herein) for certain water, sewer and drainage facilities serving Westwood, Sections 3 – 8; (2) fund engineering, testing, and contingency costs related to number 1 above; (3) fund certain related Developer interest costs; (4) fund 1 year of capitalized interest on the Bonds; and (5) pay certain costs of issuance of the Bonds. See “USE OF BOND PROCEEDS.”

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

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about March 3, 2022.

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

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.000327% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.984665%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

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

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE

UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

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

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 ("Rule"). The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves, liquidity enhancement, the pledge of property (other than ad valorem tax revenues) to secure payment of the Bonds, or appointment of a trustee. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of

operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement although holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

This is the District's second bond issue; the District issued its first bond issue in June 2021 since then the District has complied with the terms of its continuing disclosure agreement in accordance with the Rule.

MUNICIPAL BOND RATING

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

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

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

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

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

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

Additional Information Available from BAM

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

- Description:** The \$11,000,000 Unlimited Tax Bonds, Series 2022, are dated March 1, 2022. The Bonds represent the second series of bonds to be issued by the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Galveston County, the City of League City (the "City"), or any other political subdivision or agency. See "THE BONDS."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2031, are subject to early redemption, in whole or from time to time in part, on April 1, 2030, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2039, 2041, 2045 and 2049 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2038, 2040, 2042 and 2046 respectively. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Use of Proceeds:** The Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer (as defined herein) for certain water, sewer and drainage facilities serving Westwood, Section 3 – 8; (2) fund engineering, testing, and contingency costs related to number 1 above; (3) fund certain related Developer interest costs; (4) fund 1 year of capitalized interest on the Bonds; and (5) pay certain costs of issuance of the Bonds. See "USE OF BOND PROCEEDS."
- Legal Opinion:** Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."
- Payment Record:** This is the second series of bonds to be issued by the District. The District has never defaulted in the payment of interest and principal on its Outstanding Bonds. See "FINANCIAL STATEMENT."
- Risk Factors:** The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- NOT Qualified Tax Exempt Obligations:** The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.
- Municipal Bond Insurance & Rating** S&P has assigned its municipal bond rating of "AA" (stable) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "MUNICIPAL BOND RATING," "BOND INSURANCE," and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

THE DISTRICT

- Authority:** The District is a political subdivision of the State of Texas located within the City of League City, Texas (the "City") in Galveston County, created on June 14, 2013, by an act of the Texas Legislature codified at Texas Special District Local Laws Code Annotated Chapter 3917 (the "Act"). The District has the rights, powers, privileges, authority and functions of districts created pursuant to Article III, Sections 52 and 52-a, and Article XVI, Section 59 of the Texas Constitution and operates pursuant to the Act, as well as Chapter 375, Texas Local Government Code, as amended. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the "TCEQ"), which has authority over the issuance of bonds for waterworks, sanitary sewer, and drainage facilities by the District including the

Bonds. The TCEQ does not exercise authority over the District's issuance of road bonds. See "THE DISTRICT."

Description and Location:

The District, as it was originally created, included approximately 501.32 acres (there have been no annexations or exclusions of land since the District's creation). The District is located within the corporate limits of The City of League City (the "City"). The District lies approximately 25 miles south of the Houston central business district and is located 3 miles west of the Gulf Freeway (I-45). The District is bounded on the north by FM 518, on the east by Maple Leaf Drive, on the south by open farm land near FM 517, and on the west by McFarland Drive and Windemere Road. Access to the District is provided by FM 517 and League City Parkway.

Development of the District:

A summary of the approximate land use in the District as of January 1, 2022:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed and Improved Residential Acreage	199.08	(a)
Acres Currently Under Development but unimproved	36.33	(b)
Additional Developable Residential Acreage	116.90	(c)
Additional Developable Commercial Acreage	27.98	(d)
School Site	14.75	
Undevelopable Acreage	<u>106.28</u>	(e)
TOTAL	501.32	

- (a) Represents land located within Westwood Sections, 2-8.
- (b) Represents land located within Westwood Section, 9 (135 lots).
- (c) Represents land to be located in future sections to be known as Westwood, Sections 10 - 12 which are currently planned to be developed into approximately 251 single family lots. Such acreage also includes approximately 54 acres that was annexed into the District on December 15, 2021.
- (d) Represents land that will most likely be developed for commercial purposes at some point in the future.
- (e) Includes recreation facilities, detention ponds, drainage rights-of-way, flood plain acreage, pipeline easements, road rights-of-way, and property that is owned by the Homeowners Association.

Status of Residential Building Development:

As January 1, 2022, there were 658 completed homes, 81 homes under construction, and 7 vacant developed lots available for homebuilding.

Homebuilders in the District:

Homebuilders that have been or are currently active in the District include D.R. Horton, Castlerock Homes, K Hovnanian, Lennar Homes, and Gehan Homes. Homes have been or are currently being marketed in the District in the \$250,000 - \$526,000 price range.

Agreement with League City:

The District entered into an Interlocal Project Development and Financing Agreement with the City dated September 10, 2015 (the "Agreement"). Pursuant to the Agreement: (1) the City consented to the creation of the District within the City limits of the City; (2) the District assumes responsibility for acquiring and constructing for the benefit of, and for the ultimate conveyance to the City: (a) the water distribution, (b) wastewater collection, and (c) drainage facilities to serve development occurring within the boundaries of the District (the "Facilities"); and (3) the City agreed to accept the Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Agreement provides that the Facilities shall be designed and constructed in accordance with the City's requirements and criteria. The City agrees to provide the District with its ultimate requirements for water supply capacity and wastewater treatment capacity. See "INTERLOCAL PROJECT DEVELOPMENT AND FINANCING AGREEMENT WITH THE CITY".

Description of the Developer:

The owner and principal developer of the land within the District is Westwood Development LLP., a Texas limited liability partnership (herein "Westwood" or the "Developer"). Westwood was established for the purpose of developing the land located within the District and approximately 95 acres that are a part of Westwood Master Planned Community but located outside of the boundaries of the District. The entire Westwood Master Planned Community is located in the City. The General Partner of the Developer is Mr. Travis Bowie Campbell, who has over thirty years of experience in the land and building development business. The Developer has no land loans or development loans that are secured by the land located within the District. According to the Developer, future development costs will be paid for by equity contributions of the Developer.

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

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but they are not necessarily indicative of the economic impact of the Pandemic on the District’s financial condition. See “RISK FACTORS – Infectious Disease Outlook (COVID-19).”

SELECTED FINANCIAL INFORMATION
(Unaudited)

3/1/2021 Estimated Taxable Value	\$240,565,171	(a)
2021 Certified Taxable Value	\$223,061,910	(b)
Direct Debt		
Outstanding Bonds	\$10,315,000	
The Bonds	<u>\$11,000,000</u>	
Total Direct Debt (See "DISTRICT DEBT")	\$21,315,000	
Estimated Overlapping Debt (See "DISTRICT DEBT")	<u>\$16,642,961</u>	
Direct and Estimated Overlapping Debt (See "DISTRICT DEBT")	\$37,957,961	
Percentage of Direct Debt to:		
3/1/2021 Estimated Taxable Value	8.86%	
2021 Certified Taxable Value	9.56%	
Percentage of Direct and Estimated Overlapping Debt to:		
3/1/2021 Estimated Taxable Value	15.78%	
2021 Certified Taxable Value	17.02%	
2021 Tax Rate Per \$100 of Assessed Value		
Road Debt Service Tax	\$0.10	
Maintenance Tax	<u>\$0.90</u>	
Total 2021 Tax Rate	\$1.00	
Cash and Temporary Investment Balances		
General Fund as of January 16, 2022	\$825,592	
Road Debt Service Fund January 16, 2022	\$182,300	
Debt Service Fund	\$364,157	(c)

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- (a) The Estimated Taxable Value as of 3/1/2021 was prepared by the Galveston Central Appraisal District ("GCAD") and provided to the District for informational purposes only. The estimated value is not binding on GCAD and the value resulting from the full appraised value of developed tracts and from additional home construction in the District since January 1, 2021, will not be included on the District's tax roll until the January 1, 2022 certified tax roll is prepared during the second half of 2022. The District is authorized by law to only levy taxes against certified values. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects data supplied by the GCAD; the 2021 Certified Taxable Value was prepared by GCAD and provided to the District as of 1/13/2022. See "TAX DATA - Analysis of Tax Base."
- (c) The amount shown above represents 1 year of capitalized interest to be funded with proceeds of the Bonds and deposited into the District's Debt Service Fund. Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA - Tax Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the District's outstanding debt service and the requirements on the Bonds.

<u>Year</u>	<u>Outstanding Debt Service</u>	<u>The Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2022	\$263,516		\$210,692	\$474,208
2023	\$452,423	\$250,000	\$354,937	\$1,057,360
2024	\$460,081	\$275,000	\$341,812	\$1,076,893
2025	\$507,081	\$275,000	\$328,062	\$1,110,143
2026	\$503,456	\$300,000	\$313,687	\$1,117,143
2027	\$524,243	\$300,000	\$298,687	\$1,122,930
2028	\$519,156	\$300,000	\$283,687	\$1,102,843
2029	\$538,406	\$325,000	\$268,062	\$1,131,468
2030	\$532,406	\$325,000	\$251,812	\$1,109,218
2031	\$526,218	\$325,000	\$235,562	\$1,086,780
2032	\$544,375	\$350,000	\$219,343	\$1,113,718
2033	\$561,562	\$350,000	\$206,000	\$1,117,562
2034	\$553,031	\$375,000	\$195,125	\$1,123,156
2035	\$568,968	\$375,000	\$183,875	\$1,127,843
2036	\$559,593	\$400,000	\$172,250	\$1,131,843
2037	\$549,984	\$400,000	\$160,250	\$1,110,234
2038	\$564,812	\$425,000	\$147,875	\$1,137,687
2039	\$554,062	\$450,000	\$134,750	\$1,138,812
2040	\$567,718	\$450,000	\$121,250	\$1,138,968
2041	\$580,687	\$450,000	\$107,750	\$1,138,437
2042	\$567,750	\$475,000	\$94,468	\$1,137,218
2043	\$578,875	\$500,000	\$81,062	\$1,159,937
2044	\$613,875	\$500,000	\$67,312	\$1,181,187
2045	\$598,125	\$525,000	\$53,218	\$1,176,343
2046	\$582,375	\$550,000	\$40,500	\$1,172,875
2047	\$591,250	\$575,000	\$29,250	\$1,195,500
2048	\$574,750	\$575,000	\$17,750	\$1,167,500
2049	<u>\$558,250</u>	<u>\$600,000</u>	<u>\$6,000</u>	<u>\$1,164,250</u>
TOTALS	\$15,097,028	\$11,000,000	\$4,925,028	\$31,022,056

Maximum Annual Debt Service Requirements (2047)..... \$1,195,500

\$0.53 Tax Rate on 3/1/2021 Estimated Taxable Value of \$240,565,171
 @ 95% collections produces \$1,211,246

\$0.57 Tax Rate on 2021 Certified Taxable Value of \$223,061,910
 @ 95% collections produces \$1,207,880

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

OFFICIAL STATEMENT

relating to

\$11,000,000

WESTWOOD MANAGEMENT DISTRICT

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

UNLIMITED TAX BONDS

Series 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of its \$11,000,000 Unlimited Tax Bonds, Series 2022 by Westwood Management District (the "District"). The District is located inside the City of League City (the "City").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas. The District has the rights, powers, privileges, authority and functions of districts created pursuant to Article III, Sections 52 and 52-a, and Article XVI, Section 59 of the Texas Constitution and operates pursuant to the Act, as well as Chapter 375, Texas Local Government Code, as amended. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the "TCEQ"), which has authority over the issuance of bonds for waterworks, sanitary sewer, and drainage facilities by the District including the Bonds. The Bonds are issued pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of the District, an order of the Texas Commission on Environmental Quality (the "TCEQ") and an election held within the District on November 5, 2013.

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

RISK FACTORS

General

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

Infectious Disease Outlook (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation.

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

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but they are not necessarily indicative of the economic impact of the Pandemic on the District's financial condition.

Marketability

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

Tax Collections

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

District's Dependence on Future Development and Potential Impact on District Tax Rates

Assuming no further construction of single family building development within the District other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. Assuming no increase or decrease from the 2021 Certified Taxable Value and no use of other District funds; the total Debt Service tax rate of \$0.57 per \$100 of Assessed Value at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. Additionally, because the City provides water and sewer service to the District, the District does not receive payment for such service from its residents. Consequently, the District's only source of revenue to fund monthly operating costs is the District's operations and maintenance tax levy. Pursuant to its Interlocal Agreement with the City, the District may not levy a combined debt service and operations and maintenance tax levy that exceeds \$1.00 per \$100 valuation without prior written consent of the City. See "TAX DATA – City Consent to Tax Rate." The Developer has entered into an agreement with the District indicating the Developer's obligation to make advances to the District's General Fund such that the District's total tax rate can be maintained at \$1.00 per \$100 of taxable value. See "TAX DATA – Principal Taxpayers."

Registered Owners' Remedies

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

be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

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

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the Texas commission on Environmental Quality ("TCEQ") prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature. The District may not be placed into bankruptcy involuntarily.

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

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

Approval of the Bonds

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

Economic Factors

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

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

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

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

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

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 or homebuilding activity within the District. As previously stated, the Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s operations and maintenance expenses that are payable from ad valorem taxes.

Landowners/Developer under No Obligation to the District

Neither the Developer nor any other landowner within the District has any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of additional commercial improvements in the District. Currently, there is no restriction on any landowner’s right (including the Developer’s) to sell its land. Failure to construct taxable improvements on developed tracts of land currently available in the District and failure of other landowners to improve their developed tracts would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what their future financial condition will be or what effect, if any, such conditions may have on their ability to pay taxes. See "TAX DATA –Principal Taxpayers."

Future Debt

The District’s voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$33,110,928	For certain water, sanitary sewer, and storm water facilities
\$25,692,790	For certain road facilities
\$15,490,909	For certain parks and recreational facilities
\$49,666,392	For refunding water, sanitary sewer, and stormwater facility bonds
\$38,539,185	For refunding road facility bonds
\$23,236,364	For refunding parks and recreational facility bonds

After the issuance of the Bonds, the District will have \$22,110,928 unlimited tax bonds that will remain authorized but unissued for certain water, sanitary sewer and storm water facilities. Additionally, the District has \$15,377,790 of unlimited tax road bonds that currently remain authorized but unissued. Additionally, all of the other bond amounts noted in the table above will remain authorized but unissued. By agreement with League City, the District shall not issue bonds with a maturity later than 2049.

In addition to the bonds already authorized by District voters, the District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Any future new money bonds to be issued by the District (other than road bonds) must also be approved by the TCEQ.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the approval of the bonds by the Attorney General of Texas would be required. The District has prepared a park plan and conducted a park and recreational facilities bond election.

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

Further, the principal amount of bonds issued for acquiring and or/constructing parks and recreational facilities may not exceed one percent of the District’s certified taxable assessed valuation, unless, effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District.

Continuing Compliance with Certain Covenants

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

Changes in Tax Legislation

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

Hurricane Harvey

The Houston area, including the area in and around the District in Galveston County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the District's Engineer, the District's Developer, and the District's General Manager approximately 5 of the homes experienced flooding and there was no interruption of water and sewer service to residents of the District.

Hurricane Harvey had a significant short-term impact on the Houston region's economy. It may also have an adverse long-term impact on business activity and development in the region, especially if further destructive weather events occur in the near term.

Inclement Weather

The District is located approximately 27 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

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

River (or Fluvial) Flood - occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheetflow overland. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash floods are very dangerous and destructive not only because of the force of the water, but also the hurtling debris that is often swept up in the flow. They can occur within minutes or a few hours of excessive rainfall. They can also occur even if no rain has fallen, for instance, after a levee or dam has failed, or after a sudden release of water by a debris or ice jam. Controlled releases from a dam or levee also could potentially create a flooding condition in rivers or man-made drainage systems (canals or channels) downstream.

Recent Winter Weather Event - Between February 14 and February 19, 2021, the State of Texas experienced a severe winter storm causing widespread, record breaking cold temperatures throughout the State. As a result of the winter storm, there were widespread disruptions to the operations of Texas electric and gas utilities, which have been widely reported in the press, and approximately four million Texas residents lost power for significant portions of the week. The power outages caused water pipes to burst, resulting in damage to many structures, and in some areas affected the safety of the public water supply for a period of time. The President declared a major disaster in the State, making disaster assistance from the Federal Emergency Management Agency ("FEMA") available to homeowners and businesses which sustained damage. The District did not experience any financial loss related to the storm. While the District continues to assess the overall impact of the storm, the District does not anticipate a material adverse impact on its operations or financial condition as a result of the storm. There are special taxing procedures for areas declared to be disaster area which could affect the amount of taxes due and when they are collected. See "TAXING PROCEDURES—Valuation of Property for Taxation" and "—Tax Payment Installments."

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston-Galveston-Brazoria area (“HGB Area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

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

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

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

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

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

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

Certain governmental entities regulate groundwater usage in the HGB Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local

groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

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

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

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 and received coverage under the MS4 Permit 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 June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States.” Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Atlas 14

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

USE OF BOND PROCEEDS

The Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer (as defined herein) for certain water, sewer and drainage facilities serving Westwood, Sections 3 – 8; (2) fund engineering, testing, and contingency costs related to number 1 above; (3) fund certain related Developer interest costs; (4) fund 1 year of capitalized interest on the Bonds; and (5) pay certain costs of issuance of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient to finance certain water, sewer and drainage facilities construction costs previously incurred by the Developer. The District’s present estimate of the use of proceeds of the Bonds is as follows:

SUMMARY OF COSTS

	<u>TOTAL AMOUNT</u> (a)
<u>CONSTRUCTION COSTS</u>	
<i>Developer Contribution Items</i>	
Westwood Section 3 – W, WW, D	\$892,609
Westwood Section 4 – W, WW, D	\$1,760,229
Westwood Section 5 – W, WW, D	\$1,998,847
Westwood Section 6 – W, WW, D	\$1,058,222
Westwood Section 7 – W, WW, D	\$1,512,112
Westwood Section 8 – W, WW, D	\$896,533
Engineering and Testing	<u>\$873,612</u>
<i>Total Developer Contributions Items</i>	<i>\$8,992,164</i>
TOTAL CONSTRUCTION COSTS	\$8,992,164
<u>NON-CONSTRUCTION COSTS</u>	
Legal Fees	\$130,000
Bond Management Fee	\$110,000
Financial Agent Fees	\$110,000
Interest Costs	
Capitalized Interest	\$361,187
Developer Interest	\$843,956
Bond Discount	\$329,964
Bond Issuance Expense	\$41,880
Bond Application Report Cost	\$42,000
Attorney General Fee	\$9,500
TCEQ Fee	\$27,500
Contingency	<u>\$1,849</u> (b)
TOTAL NON-CONSTRUCTION COSTS	<u>\$2,007,836</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$11,000,000</u>

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District’s construction program a minimum of 30% of the construction costs of certain system facilities. The TCEQ granted the District a waiver of such rule.

(b) The TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the bonds at a lower interest rate than the rate initially projected in the District’s Bond Application to the TCEQ as a contingency line item in the Official Statement.

INTERLOCAL PROJECT DEVELOPMENT AND FINANCING AGREEMENT WITH THE CITY

The City and the District entered into an Interlocal Project Development and Financing Agreement dated September 10, 2015 (the "Agreement"). Pursuant to the Agreement: (1) the City consented to the creation of the District within the City limits of the City; (2) the District assumes responsibility for acquiring and constructing for the benefit of and for the ultimate conveyance to the City the water distribution, wastewater collection, and roadways/related facilities, and sidewalks to serve development occurring within the boundaries of the District (the "Conveyed Facilities"); and (3) the City agreed to accept the Conveyed Facilities for operation and maintenance in consideration for the District's financing, acquisition and construction of the Conveyed Facilities. The City agrees to charge residents of the District the same water and wastewater rates that the City charges in other parts of the City.

The Agreement provides that the Facilities, which includes the Conveyed Facilities and the Retained Facilities, which include property held by the District in fee simple for drainage and detention purposes, open spaces, trails, parks, play areas and recreational facilities, will be designed and constructed in accordance with the City's requirements and criteria. The Agreement further provides that the City will provide the District with the amount of water and sewer capacity set forth in the Agreement, which the parties agree is the currently expected ultimate water and sewer capacity needs of the District.

The Agreement provides that the District is authorized to issue bonds to finance the construction and acquisition of Facilities, as described in its Capital Improvement Plan. Bonds may be sold by the District only with the approval of the City Council of the City, and the District may not issue Bonds with a final maturity later than 2049.

DESCRIPTION OF THE SYSTEM SERVING THE DISTRICT

Description of the System and Regulations

All facilities serving the District 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, as applicable among others, the TCEQ, Galveston County, and the City. Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. According to the District's engineer, the Flood Hazard Boundary Map currently in effect, published by the Federal Emergency Management Agency (FEMA), which covers land located in the District, indicates that none of the developed and improved land in the District is located within the 100-year floodplain.

Water Plant, Wastewater Treatment Plant, and Drainage System

The District's water supply and wastewater treatment capacity is all provided by the City pursuant to the terms of the Agreement. The Agreement provides that the City will provide the District with 1,404 equivalent single family connections ("ESFCs") of water supply and wastewater treatment capacity to serve the ultimate build out of the District. Proceeds of future District bond issues will be used to reimburse the Developer for certain water supply, wastewater collection, drainage facilities as well as certain water supply and wastewater treatment capacity fees previously paid to the City by the Developer.

Drainage System

The underground storm sewer trunk facilities serving the District have been completed to serve approximately 500 acres in the District. Additionally, the District's drainage system currently includes collection systems, detention facilities, and drainage channels that carry water to Magnolia Creek and then outfalls to Clear Creek which then outfalls directly into Galveston Bay. A detention pond facility has been constructed with capacity adequate to serve the build out of the District given currently anticipated future building development in the District. The District is responsible for maintaining the drainage facilities in the District.

100-Year Flood Plain

No land within the District lies within the current Federal Emergency Management Agency Flood Plain Maps. According to the Engineer, there is no land in the District located in the 100 Year Floodplain. None of the improved acreage or land within the District that is planned to be built upon is located within the 100 Year Floodplain. Portions of the District are susceptible to coastal flooding in the event of a hurricane or related tidal surge. According to the Developer and the District Engineer, approximately 5 single family homes in the District were flooded during Hurricane Harvey. No homes in the District were flooded during Tropical Storm Imelda. See "RISK FACTORS – Hurricane Harvey" and "– Inclement Weather."

As mentioned elsewhere herein, during Hurricane Harvey there was no interruption of water and sewer service in the District and there was no flooding damage or significant wind damage to any of the facilities serving the District. See "RISK FACTORS – Hurricane Harvey."

THE DISTRICT

Authority

The District is a political subdivision of the State of Texas located within the City of League City, Texas (the "City") in Galveston County, created on June 14, 2013, by an act of the Texas Legislature codified at Texas Special District Local Laws Code Annotated Chapter 3917 (the "Act"). The District has the rights, powers, privileges, authority and functions of districts created pursuant to Article III, Sections 52 and 52-a, and Article XVI, Section 59 of the Texas Constitution and operates pursuant to the Act, as well as Chapter 372, 375, and 505, Texas Local Government Code, as amended. The District is subject to the continuing supervision of the TCEQ, which has authority over the issuance of bonds for waterworks, sanitary sewer, and drainage facilities by the District including the Bonds. The TCEQ does not exercise authority over the District's issuance of road bonds.

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

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City, within whose corporate limits the District lies, to the District's creation, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities, road facilities, and park and recreational facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications.

Description/Location

The District includes approximately 501.32 acres (there have been no annexations or exclusions of land since the District's creation). The District is located within the corporate limits of The City of League City (the "City"). The District lies approximately 25 miles south of the Houston central business district and is located 3 miles west of the Gulf Freeway (I-45). The District is bounded on the north by FM 518, on the east by Maple Leaf Drive, on the south by open farm land near FM 517, and on the west by McFarland Drive and Windemere Road. Access to the District is provided by FM 518 and League City Parkway and Maple Leaf Drive.

Recent Annexation by the District

Effective January 19, 2022, the District annexed approximately 54 acres of land presently owned by the Developer. Such acreage is a non-contiguous tract that is located 2.3 miles from the previous boundaries of the District. It is currently anticipated that such acreage will be developed as a single-family residential development. At the present time no specific plans exist for the future development of such acreage.

Summary of Land Use in the District

A summary of the approximate land use in the District as of January 1, 2022, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>	
Developed and Improved Residential Acreage	199.08	(a)
Acres Currently Under Development	36.33	(b)
Additional Developable Residential Acreage	116.90	(c)
Additional Developable Commercial Acreage	27.98	(d)
School Site	14.75	
Undevelopable Acreage	<u>106.28</u>	(e)
TOTAL	501.32	

- (a) Represents land located within Westwood, Sections 2-8 which is built out.
- (b) Represents land located in Westwood, Section 9; according to the developer the 135 lots in this section will be available for homebuilding in the first quarter of 2022.
- (c) Represents land to be located in future sections to be known as Westwood, Sections 10 – 12 which are currently planned to be developed into approximately 270 single family lots. Such acreage also includes approximately 54 acres that was annexed in to the District on December 15, 2021.
- (d) Represents land that will most likely be developed for commercial purposes at some point in time in the future.
- (e) Includes recreation facilities, detention ponds, drainage rights-of-way, flood plain acreage, pipeline easements, road rights-of-way, and property that is owned by the Homeowners Association.

Status of Residential Development in the District

The following table lists the approximate status of single-family home building development within the District as of January 1, 2022.

<u>Subdivision/Section</u>	<u>Approximate Lot Acres*</u>	<u>Total Lots</u>	<u>Homes</u>		
			<u>Completed</u>	<u>Under Construction</u>	<u>Vacant Lots</u>
Westwood, Section 2 (a)	21.59	94	94	0	0
Westwood, Section 3 (b)	25.71	90	90	0	0
Westwood, Section 4 (c)	23.93	94	94	0	0
Westwood, Section 5 (d)	28.57	110	110	0	0
Westwood, Section 6 (e)	28.20	119	31	81	7
Westwood, Section 7 (f)	36.45	126	126	0	0
Westwood, Section 8 (g)	29.94	113	113	0	0
Westwood, Section 9 (h)	36.33	-	0	0	0
Westwood, Section 10 (i)	29.50	-	0	0	0
Westwood, Sections 11-12(j)	35.33	-	-	-	-
TOTAL	295.55	746	658	81	7

- (a) Homes in this section were constructed by Gehan, Castlerock, and K. Hovnanian and have generally been marketed in the \$250,000 – \$375,000 price range.
- (b) Homes in this section were constructed by Gehan, Castlerock, and K. Hovnanian and have generally been marketed in the \$250,000 – \$375,000 price range.
- (c) Homes in this section were constructed by Gehan, Castlerock, K. Hovnanian, and Lennar and have generally been marketed in the \$275,000 – \$385,000 price range.
- (d) Homes in this section were constructed by Castlerock, K. Hovnanian, Lennar, and D.R. Horton and have generally been marketed in the \$275,000 – \$385,000 price range.
- (e) Homes in this section are being constructed by Castlerock, K Hovnanian, Lennar and D.R. Horton, and marketed in the \$369,000 – \$526,000.
- (f) Homes in this section were constructed by Castlerock, K. Hovnanian, and D.R. Horton and have generally been marketed in the \$275,000 - \$385,000 price range.
- (g) Homes in Section 8 were constructed by Castlerock, K. Hovnanian, D.R. Horton, and Cervelle Homes and were marketed in the \$275,000 – \$385,000 price range.
- (h) According to the Developer the future 135 lots in this section are currently under development; and lots should be available for home building during the first quarter of 2022.
- (i) Section 10, which will consist of approximately 116 lots is currently under design.
- (j) Represent future sections that may be developed into approximately 154 lots at some time in the future. No definitive development plan exists for the development of these sections at this time.

* Represents the acreage in each section used for developed lots excludes certain park areas and drainage/detention facilities

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all of the affairs of the District. Directors serve staggered four year terms, and are appointed by the Mayor and City Council of the City based upon nominations by the Board. All of the Directors are qualified to serve as directors of the District. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires June</u>
Maria Morales	President	6/1/2025
Javier Mario Martinez	Vice President	6/1/2025
Scott Short	Secretary	6/1/2023
Daniel Rogers	Assistant Secretary	6/1/2025
Norma Ramos	Director	6/1/2023
E.L. Ted O'Rourke	Director	6/1/2023

General Manager - Hawes Hill & Associates, LLP ("Hawes Hill") is a Houston based firm engaged by the District for the daily oversight of operations within the District. David Hawes is the Managing Partner of Hawes Hill and is responsible for managing all company operations. David Hawes holds a B.A. degree from the University of Texas and a Master of Public Administration from the University of Houston. He has been involved in special district management since 1996. Mr. Hawes brings over 25 years of experience working directly with local and national developers and builders in creating residential and commercial developments.

The District has contracted for bookkeeping, tax assessing and collecting services, engineering, legal, financial advisory service, and annual auditing of its books as follows:

Tax Assessor/Collector – The District receives tax appraisal and tax collection services from Galveston Central Appraisal District. The District also engages the Galveston County Tax Office from time to time to provide certain tax roll monitoring services. the Galveston County Tax Office is employed under an annual contract and represents approximately 80 other utility districts.

Bookkeeper - The District's Bookkeeper is ETI Bookkeeping.

Auditor – The financial statements of the District as of September 30, 2020, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appeared herein. See "APPENDIX A" for a copy of the District's September 30, 2020, audited financial statements.

Engineer - The consulting engineer for the District is J. Morales, Inc. (the "Engineer").

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

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

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

DISTRICT INVESTMENT POLICY

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

General Fund Operating History

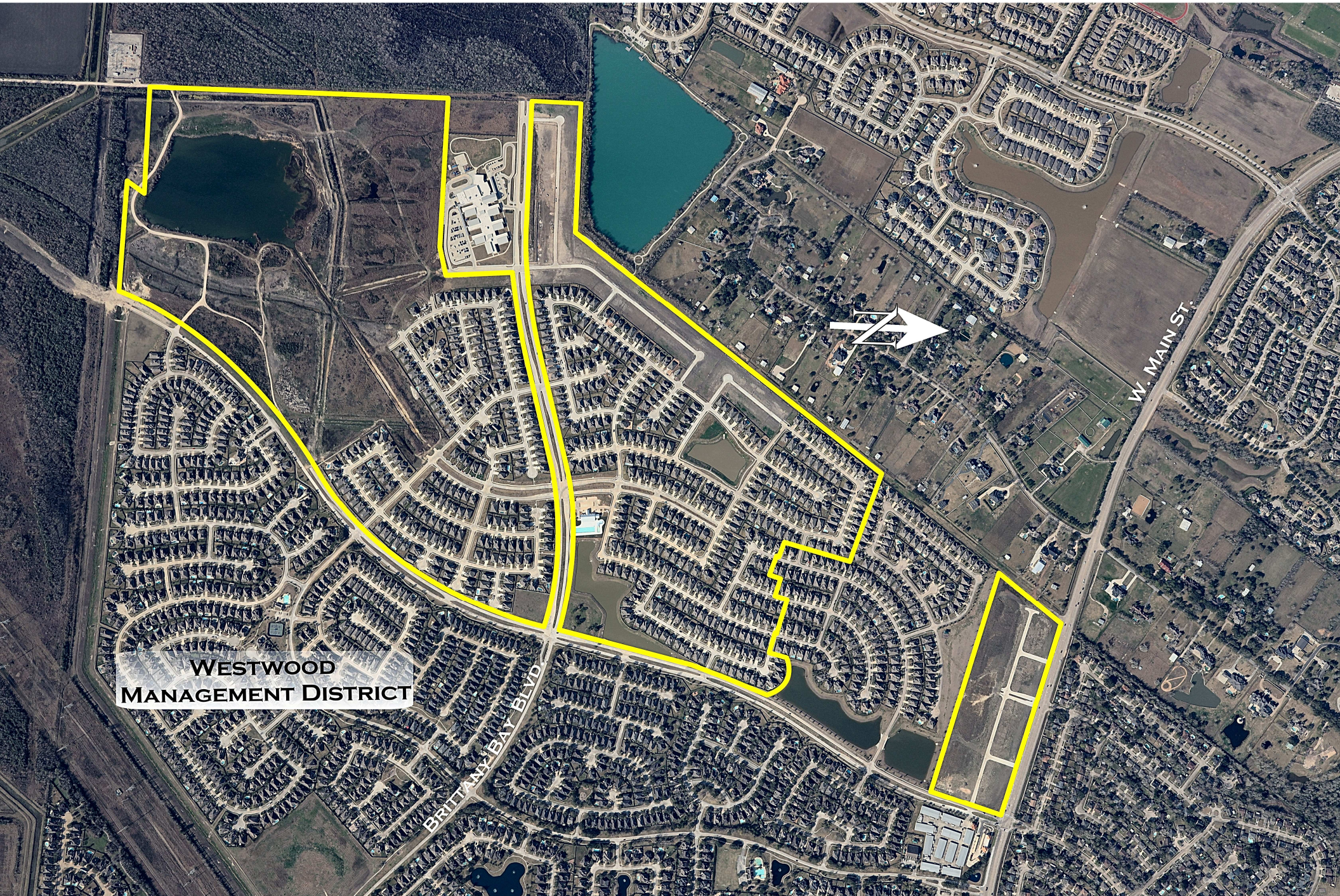
The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

	Fiscal Year Ended September 30 (a)				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
REVENUES					
Property taxes	\$1,285,960	\$910,403	\$507,273	\$170,752	\$79,786
Penalty and Interest	\$1,602	\$979	\$601	\$784	\$278
Litigation Settlement Revenues	-	-	\$175,000	-	-
Miscellaneous Revenues	\$1,036	\$853	\$264	\$227	\$149
TOTAL REVENUES	\$1,288,598	\$912,235	\$683,138	\$171,763	\$80,213
EXPENDITURES					
Service Operations:					
Professional Fees	\$23,208	\$80,353	\$100,844	\$58,664	\$65,789
Contracted Services	\$63,857	\$43,271	\$39,677	\$29,492	\$25,365
Repairs and Maintenance	\$391,599	\$138,415	\$18,360	-	-
Other	\$65,593	\$17,508	\$22,453	\$21,102	\$39,661
Capital Outlay	\$4,941,121	\$7,817,841	\$4,463,881	\$4,803,769	\$3,870,294
TOTAL EXPENDITURES	\$5,485,378	\$8,097,388	\$4,645,215	\$4,913,027	\$4,001,109
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(\$4,196,780)</u>	<u>(\$7,185,153)</u>	<u>(\$3,962,077)</u>	<u>(\$4,741,264)</u>	<u>(\$3,920,896)</u>
OTHER FINANCING SOURCES					
Developer Advances	\$3,524,692	\$6,885,779	\$3,686,000	\$5,355,000	\$3,500,000
NET CHANGE IN FUND BALANCE	(\$672,088)	(\$299,374)	(\$276,077)	\$613,736	(\$420,896)
BEGINNING FUND BALANCE (DEFICIT)	<u>(\$301,443)</u>	<u>(\$2,069)</u>	<u>\$274,008</u>	<u>(\$339,728)</u>	<u>\$81,168</u>
ENDING FUND BALANCE (DEFICIT) (b)	<u>(\$973,531)</u>	<u>(\$301,443)</u>	<u>(\$2,069)</u>	<u>\$274,008</u>	<u>(\$339,728)</u>

(a) Data taken from the District audited financial statement.

(b) For the 15-month period year ended December 31, 2021, the District's General Fund experienced unaudited revenues of approximately \$1,662,249 and unaudited operating expenditures of approximately \$570,443. Additionally, the General Fund transferred \$105,315 to the capital fund during the 2021 fiscal year (including funds for roads, water/sewer/drainage, and park facilities as well as engineering costs related to capital outlays). As of January 17, 2022, the District's General Fund had an unaudited cash and investment balance of \$487,422. For the fiscal year ending December 31, 2022 the District is projecting General Fund revenues of approximately \$1,903,600 and General Fund operating expenditures of approximately \$681,700. The District has no plans to transfer funds to the Capital Projects Fund in Fiscal Year 2022 and plans to establish a \$500,000 operating reserve account in the General Fund during Fiscal Year 2022.

AERIAL PHOTOGRAPH



WESTWOOD
MANAGEMENT DISTRICT

BRITANNY BAY BLVD

W. MAIN ST.

THE DEVELOPER

Role of the Developer

In general, the activities of developers in a municipal management district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater, and drainage facilities in the utility district exclusive of water and sewage treatment plants unless a waiver from this requirement is requested and obtained from the TCEQ by the District, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Description of the Developer

The owner and principal developer of the land within the District is Westwood Development LLP., a Texas limited liability partnership (herein "Westwood" or the "Developer"). Westwood was established for the purpose of developing the land located within the District and, approximately 95 acres that are a part of the Westwood Master Planned Community but located outside of the boundaries of the District. The entire Westwood Master Planned Community is located in The City of League City. The General Partner of the Developer is Mr. Travis Bowie Campbell, who has over thirty years of experience in land and building development business. The Developer has no land loans or development loans that are secured by the land located within the District. According to the Developer, future development costs will be paid for by equity contributions of the Developer.

DISTRICT DEBT

3/1/2021 Estimated Taxable Value	\$240,565,171	(a)
2021 Certified Taxable Value	\$223,061,910	(b)
Direct Debt		
Outstanding Debt	\$10,315,000	
The Bonds	<u>\$11,000,000</u>	
Total Direct Debt	\$21,315,000	
Estimated Overlapping Debt	<u>\$16,642,961</u>	
Direct and Estimated Overlapping Debt	\$37,957,961	
Percentage of Direct Debt to:		
3/1/2021 Estimated Taxable Value	8.86%	
2021 Certified Taxable Value	9.56%	
Percentage of Direct and Estimated Overlapping Debt to:		
3/1/2021 Estimated Taxable Value	15.78%	
2021 Certified Taxable Value	17.02%	
2021 Tax Rate Per \$100 of Assessed Value		
Road Debt Service Tax	\$0.10	
Maintenance Tax	<u>\$0.90</u>	
Total 2021 Tax Rate	\$1.00	

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- (a) The Estimated Taxable Value as of 3/1/2021 was prepared by the GCAD and provided to the District for informational purposes only. The estimated value is not binding on GCAD and the value resulting from the full appraised value of developed tracts and from additional home construction in the District since January 1, 2021, will not be included on the District's tax roll until the January 1, 2022, certified tax roll is prepared during the second half of 2022. The District is authorized by law to only levy taxes against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects data supplied by the GCAD; the 2021 Certified Taxable Value was prepared by GCAD and provided to the District as of 1/13/2021. See "TAX DATA - Analysis of Tax Base."

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping Debt</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Galveston County	\$210,083,482	0.65%	\$1,376,002
City of League City	\$285,410,000	2.32%	\$6,625,632
Clear Creek Independent School District	\$1,032,420,000	0.84%	<u>\$8,641,327</u>
Total Estimated Overlapping Debt			\$16,642,961
The District (a)			<u>\$21,315,000</u>
Total Direct and Estimated Overlapping Debt			\$37,957,961

(a) Includes the Bonds.

TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2016 through 2021. The tax collection figures below represent tax collections as of September 30, 2021. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Tax Year</u>	<u>Taxable Value</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections</u>	<u>Tax Year Ended September 30</u>
2021	\$223,061,910	\$1.00	\$2,230,619	(a)	2022
2020	\$166,076,362	\$1.00	\$1,660,764	99%	2021
2019	\$119,363,061	\$1.00	\$1,193,631	99%	2020
2018	\$85,486,793	\$1.00	\$854,868	100%	2019
2017	\$49,254,759	\$1.00	\$492,548	100%	2018
2016	\$16,826,466	\$1.00	\$168,265	100%	2017

(a) The District's 2021 taxes are due on or before January 31, 2022.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed Value at an election held on November 5, 2013. See "Tax Rate Distribution" herein.

City Consent to Tax Rate

Pursuant to the Agreement, the District may not levy a combined debt service and operation and maintenance tax rate that exceeds \$1.00 per \$100 in valuation without the written consent of the City. The foregoing limitation does not apply, however, to the extent the District must levy a greater debt service tax to provide for the payment of its bonds. To the extent that the District's debt service tax rate equals or exceeds \$1.00 per \$100 in valuation, the District may not levy an operation and maintenance tax without the prior written consent of the City.

Tax Rate Distribution

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Road Debt Service	\$0.10	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance/Operations	<u>\$0.90</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>
Total	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00

Additional Penalties

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

Principal Taxpayers

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

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Campbell T B (a)	Land & Improvement	\$4,545,580	2.04%
Homeowner	Home	\$765,170	0.34%
DR Horton-Texas Ltd	Land & Improvement	\$557,870	0.25%
Homeowner	Home	\$537,550	0.24%
Homeowner	Home	\$537,110	0.24%
Homeowner	Home	\$529,450	0.24%
Homeowner	Home	\$528,160	0.24%
Homeowner	Home	\$519,630	0.23%
Homeowner	Home	\$503,200	0.23%
Homeowner	Home	<u>\$498,980</u>	<u>0.22%</u>
TOTALS		\$9,522,700	4.27%

(a) Represents the Developer of the District.

Analysis of Tax Base

Based on information provided to the District by GCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll Values and the deferrals for 2017 through 2021.

<u>Tax Roll</u>			<u>Personal</u>	<u>Gross</u>	<u>Taxable</u>	
<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Property</u>	<u>Values</u>	<u>Exemptions</u>	<u>Values</u>
2021	\$43,856,056	\$231,964,296	\$183,600	\$276,003,952	\$52,942,042	\$223,061,910
2020	\$42,584,760	\$173,081,661	\$183,400	\$215,849,821	\$49,827,533	\$166,022,288
2019	\$35,571,780	\$88,466,223	\$169,570	\$124,207,573	\$4,844,492	\$119,363,081
2018	\$26,753,810	\$61,222,910	\$193,960	\$88,170,680	\$2,683,887	\$85,486,793
2017	\$14,718,250	\$38,364,937	\$169,690	\$53,252,877	\$3,998,118	\$49,254,759

Estimated Overlapping Taxes

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

<u>Taxing Jurisdictions</u>	<u>2021 Tax Rate</u>
Clear Creek Independent School District	\$1.179700
Galveston County	\$0.414940
Galveston County Road and Flood District	\$0.009560
City of League City	<u>\$0.465526</u>
Overlapping Taxes	<u>\$2.069726</u>
 The District	 <u>\$1.000000</u>
Total Direct & Overlapping Taxes	<u>\$3.069726</u>

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, no transfers of surplus funds from the District's Operating Fund to the Debt Service Fund, and no increase or decrease in taxable values mentioned in the table below. The calculations utilize a tax rate adequate to service the District's maximum annual total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2047)	\$1,195,500
Requires a \$0.53 debt service tax rate on the 3/1/2021 Estimated Taxable Value at 95% collections.....	\$1,211,246
Requires a \$0.57 debt service tax rate on the 2021 Certified Taxable Value at 95% collections.....	\$1,207,880

TAXING PROCEDURES

Authority to Levy Taxes

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

Tax Code and County-Wide Appraisal District

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District

is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death. Such exemption would be transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The District has never adopted an order granting an exemption to the elderly and disabled.

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

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

Tax Abatement

Galveston County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City, Galveston County, nor the District, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed Value of property covered by the agreement over its assessed Value in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

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

Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

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

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

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

Tax Payment Installments After Disaster

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the Value of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential

homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

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

Tax Payment Installments

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the 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.

In addition, under the Texas Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

CONSOLIDATION/DISSOLUTION

Consolidation

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

Dissolution

Under Texas law, the territory within the District may be dissolved by the City without the consent of the District or its residents, in which case the District would be dissolved and the City would assume the District's assets and functions and obligations, including the Bonds; however, in the Agreement, the City agreed not to dissolve the District prior to December 31, 2037 until (i) at least 90% of the District's Facilities have been developed; and (ii) the developers developing Facilities have been reimbursed by the District in accordance with their respective developer reimbursement agreements.

The Act provides that the Board of the District may dissolve the District regardless of whether the District has debt and if by December 31, 2037, the District has not been dissolved, the District will dissolve on that date. The Agreement requires the District and the Westwood Homeowners' Association to enter into an agreement to provide for the conveyance of ownership of and maintenance responsibility for the Retained Facilities to the Homeowners' Association from and after the dissolution of the District. If the District has debt when it is dissolved, the District will remain in existence solely for the purpose of discharging its debts. The dissolution is effective when all debts have been discharged. The Agreement provides that the District will not issue Bonds with a final maturity later than 2049.

No Arbitrage

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

THE BONDS

General

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

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

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

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

Optional Redemption

The Bonds maturing on or after April 1, 2031, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2030 and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Mandatory Redemption

The Bonds maturing April 1 in the years 2039, 2041, 2045 and 2049 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

\$875,000 Term Bonds, due April 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2038	\$425,000
April 1, 2039 (maturity)	\$450,000

\$900,000 Term Bonds, due April 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2040	\$450,000
April 1, 2041 (maturity)	\$450,000

\$2,000,000 Term Bonds, due April 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2042	\$475,000
April 1, 2043	\$500,000
April 1, 2044	\$500,000
April 1, 2045 (maturity)	\$525,000

\$2,300,000 Term Bonds, due April 1, 2049

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2046	\$550,000
April 1, 2047	\$575,000
April 1, 2048	\$575,000
April 1, 2049 (maturity)	\$600,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of Redemption; Partial Redemption

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

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

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

Source of and Security for Payment

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

Defeasance

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

Funds

The Bond Resolution creates the Debt Service Fund and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Resolution, shall be deposited as collected in such fund.

Accrued interest on the Bonds and 12 months of capitalized interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain road construction and road land acquisition costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Road Resolution or ultimately transferred to the Debt Service Fund.

Paying Agent/Registrar

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

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

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Dallas, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

Issuance of Additional Bonds

The District’s voters have authorized the issuance of unlimited tax bonds for various purposes as reflected in the table below:

<u>Amount</u>	<u>Purpose</u>
\$33,110,928	For certain water, sanitary sewer, and storm water facilities
\$25,692,790	For certain road facilities
\$15,490,909	For certain parks and recreational facilities
\$49,666,392	For refunding water, sanitary sewer, and storm water facility bonds
\$38,539,185	For refunding road facility bonds
\$23,236,364	For refunding parks and recreational facility bonds

After the issuance of the Bonds, the District will have \$22,110,928 unlimited tax bonds that will remain authorized but unissued for certain water, sanitary sewer, and storm water facilities. Additionally, the District has \$15,377,790 of unlimited tax road bonds that currently remain authorized but unissued. Additionally, all of the other bond amounts noted in the table above remain authorized but unissued. By agreement with the City of League City, the District has agreed not to issue bonds with a maturity later than 2049

The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Any future new money bonds to be issued by the District (except future road bonds) must be approved by the TCEQ. Further, the principal amount of parks and recreational facilities bonds sold by the District is limited to one percent of the District's certified taxable assessed valuation, unless effective June 14, 2021, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not three percent of the value of the taxable property in the District.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive securities representing their ownership interests in Securities except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

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

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

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

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

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District and that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals. Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12," "INTERLOCAL PROJECT DEVELOPMENT AND FINANCING AGREEMENT WITH THE CITY," "THE DISTRICT – Authority," "TAXING PROCEDURES," "CONSOLIDATION/DISSOLUTION," "THE BONDS," "LEGAL MATTERS - Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and " – Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

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

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

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

NOT Qualified Tax-Exempt Obligations

The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

OFFICIAL STATEMENT

Sources of Information

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

Consultants

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

Engineer - The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "DESCRIPTION OF THE SYSTEM SERVING THE DISTRICT," "USE OF BOND PROCEEDS," and certain engineering matters included in "THE DISTRICT – Description, Location" " – Summary of Land Uses in the District," and "- Status of Residential Development in the District" has been provided by J. Morales, Inc., and has been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector - The information contained in this Official Statement relating to, the information contained in the section captioned "TAX DATA," has been provided by the Appraisal District and by the Galveston County Tax Office in reliance upon their authority as experts in the field of tax assessing, appraising and collecting taxes.

Auditor - The financial statements of the District as of September 30, 2020, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot PLLC, independent auditors, as stated in their report appeared herein. See "APPENDIX A" for a copy of the District's September 30, 2020, audited financial statements.

Continuing Availability of Financial Information

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

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Hawes Hill & Associates, 9610 Long Point Road, Suite 150, Houston, TX 77055.

Certification as to Official Statement

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

Updating of Official Statement

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

MISCELLANEOUS

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

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

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

WESTWOOD MANAGEMENT DISTRICT
GALVESTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2020

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

WESTWOOD MANAGEMENT DISTRICT
GALVESTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Westwood Management District
Galveston County, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Directors
Westwood Management District

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

April 21, 2021

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**

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

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. In the current fiscal year, the General Fund accounted for developer advances, property tax revenues, operating costs and general expenditures.

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

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**

FUND FINANCIAL STATEMENTS (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$18,366,545 as of September 30, 2020. The following is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 184,816	\$ 343,798	\$ (158,982)
Capital Assets (Net of Accumulated Depreciation)	<u>8,254,229</u>	<u>12,620,769</u>	<u>(4,366,540)</u>
Total Assets	<u>\$ 8,439,045</u>	<u>\$ 12,964,567</u>	<u>\$ (4,525,522)</u>
Due to Developer	\$ 25,647,472	\$ 22,122,779	\$ (3,524,693)
Other Liabilities	<u>1,158,118</u>	<u>643,801</u>	<u>(514,317)</u>
Total Liabilities	<u>\$ 26,805,590</u>	<u>\$ 22,766,580</u>	<u>\$ (4,039,010)</u>
Net Position:			
Net Investment in Capital Assets	\$ (17,393,243)	\$ (9,502,010)	\$ (7,891,233)
Unrestricted	<u>(973,302)</u>	<u>(300,003)</u>	<u>(673,299)</u>
Total Net Position	<u>\$ (18,366,545)</u>	<u>\$ (9,802,013)</u>	<u>\$ (8,564,532)</u>

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a summary of the District's operations for the years ended September 30, 2020, and September 30, 2019. Net Position has a negative balance as a result of the District conveying completed assets to the City of League City and Westwood Home Owners' Association while recording a liability to the Developer for those same assets.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,284,759	\$ 840,141	\$ 444,618
Other Revenues	2,628	1,832	796
Total Revenues	\$ 1,287,387	\$ 841,973	\$ 445,414
Expenses for Services	9,851,919	1,000,241	(8,851,678)
Change in Net Position	\$ (8,564,532)	\$ (158,268)	\$ (8,406,264)
Net Position, Beginning of Year	(9,802,013)	(9,643,745)	(158,268)
Net Position, End of Year	\$ (18,366,545)	\$ (9,802,013)	\$ (8,564,532)

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District has a General Fund fund balance deficit of \$973,541 as of September 30, 2020, a decrease of \$672,098 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board adopted an unappropriated budget for the current fiscal year. Actual revenues were \$14,412 less than budgeted revenues. Actual expenditures were \$35,878 more than budgeted expenditures.

CAPITAL ASSETS

As of September 30, 2020, the District recorded \$8,254,229 relating to construction in progress for paving, earthwork and water, sewer and drainage facilities to serve the Westwood subdivision, which will be conveyed to either the City of League City or Home Owners' Association upon completion. Conveyances totaling \$9,298,675 were made to these respective entities during the current fiscal year.

LONG-TERM DEBT ACTIVITY

The District has recorded a payable to its Developer of \$25,647,472 for operating advances and completed construction projects. The Developer has incurred additional costs for projects which were not complete at year-end. Reimbursement for these costs will come from future bond sales.

**WESTWOOD MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED SEPTEMBER 30, 2020**

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Westwood Management District, c/o Hawes Hill & Associates, LLP, P.O. Box 22167, Houston, Texas 77227-2167.

**WESTWOOD MANAGEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 121,493	\$	\$ 121,493
Receivables:			
Property Taxes	239		239
Due from Developer	63,084		63,084
Construction in Progress		<u>8,254,229</u>	<u>8,254,229</u>
TOTAL ASSETS	<u>\$ 184,816</u>	<u>\$ 8,254,229</u>	<u>\$ 8,439,045</u>
 LIABILITIES			
Accounts Payable	\$ 1,158,118	\$	\$ 1,158,118
Due to Developer		<u>25,647,472</u>	<u>25,647,472</u>
TOTAL LIABILITIES	<u>\$ 1,158,118</u>	<u>\$ 25,647,472</u>	<u>\$ 26,805,590</u>
 DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>\$ 239</u>	<u>\$ (239)</u>	<u>\$ -0-</u>
 FUND BALANCE			
Unassigned	<u>\$ (973,541)</u>	<u>\$ 973,541</u>	<u>\$ -0-</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 184,816</u>		
 NET POSITION			
Net Investment in Capital Assets		\$ (17,393,243)	\$ (17,393,243)
Unrestricted		<u>(973,302)</u>	<u>(973,302)</u>
TOTAL NET POSITION		<u>\$ (18,366,545)</u>	<u>\$ (18,366,545)</u>

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

**WESTWOOD MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Total Fund Balance - Governmental Fund	\$ (973,541)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Construction in progress in governmental activities is not a current financial resource and, therefore, is not reported as an asset in the governmental fund.	8,254,229
Deferred inflows of resources related to property tax revenues for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District.	239
Amounts due to the developer are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.	<u>(25,647,472)</u>
Total Net Position - Governmental Activities	<u><u>\$ (18,366,545)</u></u>

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

WESTWOOD MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Property Taxes	\$ 1,285,960	\$ (1,201)	\$ 1,284,759
Penalty and Interest	1,602		1,602
Miscellaneous Revenues	<u>1,026</u>		<u>1,026</u>
TOTAL REVENUES	<u>\$ 1,288,588</u>	<u>\$ (1,201)</u>	<u>\$ 1,287,387</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 23,208	\$	\$ 23,208
Contracted Services	63,857		63,857
Repairs and Maintenance	391,599		391,599
Other	65,593		65,593
Conveyance of Capital Assets		9,298,675	9,298,675
Capital Outlay	<u>4,941,121</u>	<u>(4,932,134)</u>	<u>8,987</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 5,485,378</u>	<u>\$ 4,366,541</u>	<u>\$ 9,851,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (4,196,790)</u>	<u>\$ (4,367,742)</u>	<u>\$ (8,564,532)</u>
OTHER FINANCING SOURCES			
Developer Advances	<u>\$ 3,524,692</u>	<u>\$ (3,524,692)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ (672,098)	\$ 672,098	\$
CHANGE IN NET POSITION		(8,564,532)	(8,564,532)
FUND BALANCE(DEFICIT)/NET POSITION - OCTOBER 1, 2019	<u>(301,443)</u>	<u>(9,500,570)</u>	<u>(9,802,013)</u>
FUND BALANCE(DEFICIT)/NET POSITION - SEPTEMBER 30, 2020	<u>\$ (973,541)</u>	<u>\$ (17,393,004)</u>	<u>\$ (18,366,545)</u>

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

**WESTWOOD MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net Change in Fund Balance - Governmental Fund	\$ (672,098)
--	--------------

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(1,201)
--	---------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	4,932,134
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Governmental funds do not record costs paid for assets that are conveyed to other entities for operations. However, in the Statement of Activities, the transfer of these assets is recorded as Conveyance of Capital Assets.	(9,298,675)
---	-------------

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.	<u>(3,524,692)</u>
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Change in Net Position - Governmental Activities	<u><u>\$ (8,564,532)</u></u>
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The accompanying notes to the financial statements are an integral part of this report.

**WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1. CREATION OF DISTRICT

On April 9, 2013, the City Council of the City of League City, Texas (the “City”) adopted Ordinance 2013-16 consenting to the creation of the Westwood Management District (the “District”). The District was created, effective June 14, 2015, by the Texas Legislature under provisions of Senate Bill No. 1884, of the 83rd Legislature (later codified as Chapter 3917, Texas Special District Local Laws Code) and operates pursuant to Chapter 375, Texas Local Government Code, and Chapter 49, Texas Water Code. Pursuant to the provisions of the Act creating the District, the District is empowered to promote, develop, encourage, and maintain employment, commerce, transportation, housing, tourism, recreation, arts, entertainment, economic development, safety, and the public welfare.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

The District is a political subdivision of the State of Texas governed by an appointed board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

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

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

**WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

Governmental Fund

The District has one governmental fund and considers it a major fund.

General Fund - To account for resources not accounted in another fund, property tax revenues, sales and use tax revenues, operating costs and general expenditures.

Basis of Accounting

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

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property taxes revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Fund Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

Individual tangible capital items, including infrastructure assets, with a useful life of at least two years and a total cost of \$5,000 are capitalized. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation.

Budgeting

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

Measurement Focus

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

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

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

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes. Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$121,493 and the bank balance was \$129,657. The District has a depository pledge agreement with a financial institution effective February 25, 2015, to collateralize the balance with securities held in a third-party depository in the District's name. The District was not exposed to custodial credit risk at year-end.

Investments

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

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act. As of September 30, 2020, the District had no investments.

**WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 4. CAPITAL ASSETS

As of September 30, 2020, the District recorded \$8,254,229 relating to construction in progress for paving, earthwork and water, sewer and drainage facilities to serve the Westwood subdivision, which will be conveyed to either the City of League City or Home Owners' Association upon completion. Facilities valued at \$8,955,486 and \$343,189 were conveyed to the City and the Home Owner's Association, respectively, during the current fiscal year.

NOTE 5. MAINTENANCE TAX

On November 5, 2013, the voters of the District approved the levy and collection of an ad valorem maintenance tax not to exceed \$1.50 and a parks and recreational facilities tax not to exceed \$0.10 per \$100 of assessed valuation of taxable property within the District. The ad valorem tax is to be used for administration, operation, and maintenance purposes and for programs to promote District purposes. During the year ended September 30, 2020, the District levied an ad valorem tax of \$1.00 per \$100 of assessed valuation, resulting in a tax levy of \$1,207,503 on the adjusted taxable valuation of \$120,746,126 for the 2019 tax year. The District did not levy a parks and recreational facilities tax during the current fiscal year.

NOTE 6. BOND AUTHORITY

On November 5, 2013, voters of the District authorized the issuance of up to \$15,490,909 in unlimited tax bonds for parks and recreational facilities and related refunding bonds of \$23,236,364. The District has also authorized but unissued bonds in the amount of \$33,110,928 for utility facilities, \$49,666,392 for refunding bonds, \$25,692,790 for road facilities and \$38,539,185 for refunding road bonds.

NOTE 7. UNREIMBURSED COSTS AND ECONOMIC DEPENDENCY

On April 16, 2014, the District and the Developer entered into an agreement which requires the Developer to fund costs associated with water, sanitary sewer and drainage facilities, roads, park facilities and operating advances. The District has recorded a payable to its Developer of \$25,647,472 for operating advances and completed construction projects. The Developer has incurred additional costs for projects which were not complete at year-end. Reimbursement for these costs will come from future bond sales.

The District's Developer owns a substantial portion of the taxable property within the District. In addition, the District is dependent upon the Developer for operating advances to meet its financial obligations. The Developer's ability to make full and timely payments of taxes and operating advances could directly affect the District's ability to meet its financial obligations. As of September 30, 2020, the District had a deficit fund balance in the amount of \$973,541.

**WESTWOOD MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9. INTERLOCAL PROJECT DEVELOPMENT AND FINANCING AGREEMENT WITH THE CITY OF LEAGUE CITY, TEXAS

On September 10, 2015, the City and the District entered into an Interlocal Project Development and Financing Agreement (“Development Agreement”). Pursuant to the Development Agreement, the Developer wishes to proceed with the development of and construction of water, sanitary sewer and drainage facilities, road facilities and park facilities to serve the land within the boundaries of the District. The City shall have and exercise exclusive jurisdiction over the subdivision and platting of the property within the District and the design, construction, installation, and inspection of water, sewer, drainage, roadway, and other public infrastructure (the “Public Infrastructure”) to serve the property within the District. The Developer and/or District are responsible for designing, acquiring and constructing for the benefit of, and for ultimate conveyance to the City, the water and sewer Public Infrastructure.

The District and the City acknowledge and agree that the District is currently expected to require approximately 1,404 equivalent dwelling units (“EDUs”) of water and sewer capacity for full build out. The City and the District agree that the property located within the District is designated as part of the service area of the City’s Southwest Water Reclamation Facility. The City agrees that it shall make available to the District, in the amount and at the time needed by the District, capacity sufficient to serve as many as a total of 1,404 EDUs.

NOTE 10. ECONOMIC UNCERTAINTIES

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

NOTE 11. SUBSEQUENT EVENTS – CHANGE OF YEAR END AND PENDING BOND SALE

On February 24, 2021, subsequent to year end, the District approved changing its fiscal year end from September 30 to December 31 effective with the 2021 fiscal year.

On April 21, 2021, subsequent to year end, the District authorized the sale of \$10,315,000 of Unlimited Tax Road Bonds, Series 2021. Delivery of the bonds is expected sometime in June 2021.

WESTWOOD MANAGEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020

**WESTWOOD MANAGEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 1,300,000	\$ 1,285,960	\$ (14,040)
Penalty and Interest	2,000	1,602	(398)
Miscellaneous Revenues	<u>1,000</u>	<u>1,026</u>	<u>26</u>
TOTAL REVENUES	<u>\$ 1,303,000</u>	<u>\$ 1,288,588</u>	<u>\$ (14,412)</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 21,000	\$ 23,208	\$ (2,208)
Contracted Services	69,000	63,857	5,143
Repairs and Maintenance	485,000	391,599	93,401
Other	59,500	65,593	(6,093)
Capital Outlay	<u>4,815,000</u>	<u>4,941,121</u>	<u>(126,121)</u>
TOTAL EXPENDITURES	<u>\$ 5,449,500</u>	<u>\$ 5,485,378</u>	<u>\$ (35,878)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (4,146,500)</u>	<u>\$ (4,196,790)</u>	<u>\$ (21,466)</u>
OTHER FINANCING SOURCES			
Developer Advances	<u>\$ -0-</u>	<u>\$ 3,524,692</u>	<u>\$ 3,524,692</u>
NET CHANGE IN FUND BALANCE	\$ (4,146,500)	\$ (672,098)	\$ 3,503,226
FUND BALANCE - OCTOBER 1, 2019	<u> </u>	<u>(301,443)</u>	<u> </u>
FUND BALANCE - SEPTEMBER 30, 2020	<u>\$ (4,146,500)</u>	<u>\$ (973,541)</u>	<u>\$ 3,503,226</u>

See accompanying independent auditor's report.

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WESTWOOD MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2020

**WESTWOOD MANAGEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 8,500
Legal	<u>14,708</u>
TOTAL PROFESSIONAL FEES	<u>\$ 23,208</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 7,178
Bookkeeping	23,054
Administrative Services	29,659
Tax Collection and Tax Roll Management	<u>3,966</u>
TOTAL CONTRACTED SERVICES	<u>\$ 63,857</u>
REPAIRS AND MAINTENANCE	<u>\$ 391,599</u>
CAPITAL OUTLAY	<u>\$ 4,941,121</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 10,050
Insurance	4,639
Other	<u>50,904</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 65,593</u>
TOTAL EXPENDITURES	<u><u>\$ 5,485,378</u></u>

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Maintenance Taxes	
TAXES RECEIVABLE -		
OCTOBER 1, 2019	\$ 1,440	
Adjustments to Beginning		
Balance	77,256	\$ 78,696
Original 2019 Tax Levy	\$ 1,148,142	
Adjustment to 2019 Tax Levy	59,361	1,207,503
 TOTAL TO BE		
ACCOUNTED FOR		\$ 1,286,199
 TAX COLLECTIONS:		
Prior Years	\$ 78,696	
Current Year	1,207,264	1,285,960
 TAXES RECEIVABLE -		
SEPTEMBER 30, 2020		\$ 239
 TAXES RECEIVABLE BY		
YEAR:		
2019		\$ 239

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 35,571,780	\$ 26,753,810	\$ 14,718,250	\$ 9,055,709
Improvements	88,430,813	61,222,910	38,364,937	11,420,800
Personal Property	169,570	193,960	169,690	119,106
Exemptions	<u>(3,426,037)</u>	<u>(2,686,387)</u>	<u>(3,998,118)</u>	<u>(3,769,149)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 120,746,126</u>	<u>\$ 85,484,293</u>	<u>\$ 49,254,759</u>	<u>\$ 16,826,466</u>
TAX RATES PER \$100 VALUATION:				
Maintenance Tax	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
ADJUSTED TAX LEVY*	<u>\$ 1,207,503</u>	<u>\$ 854,843</u>	<u>\$ 495,898</u>	<u>\$ 168,265</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.98 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

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

Maintenance tax – Maximum tax rate in an amount not to exceed \$1.50 per \$100 assessed valuation approved by voters on November 5, 2013.

Park and Recreational Facilities Tax – Maximum tax rate in an amount not to exceed \$0.10 per \$100 assessed valuation approved by voters on November 5, 2013.

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts			
	2020	2019	2018	2017
REVENUES				
Property Taxes	\$ 1,285,960	\$ 910,403	\$ 507,273	\$ 170,752
Penalty and Interest	1,602	979	601	784
Litigation Settlement Revenues			175,000	
Miscellaneous Revenues	1,026	853	264	227
TOTAL REVENUES	<u>\$ 1,288,588</u>	<u>\$ 912,235</u>	<u>\$ 683,138</u>	<u>\$ 171,763</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 23,208	\$ 80,353	\$ 100,844	\$ 58,664
Contracted Services	63,857	43,271	39,677	29,492
Repairs and Maintenance	391,599	138,415	18,360	
Other	65,593	17,508	22,453	21,102
Capital Outlay	4,941,121	7,817,841	4,463,881	4,803,769
TOTAL EXPENDITURES	<u>\$ 5,485,378</u>	<u>\$ 8,097,388</u>	<u>\$ 4,645,215</u>	<u>\$ 4,913,027</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (4,196,790)</u>	<u>\$ (7,185,153)</u>	<u>\$ (3,962,077)</u>	<u>\$ (4,741,264)</u>
OTHER FINANCING SOURCES				
Developer Advances	<u>\$ 3,524,692</u>	<u>\$ 6,885,779</u>	<u>\$ 3,686,000</u>	<u>\$ 5,355,000</u>
NET CHANGE IN FUND BALANCE	\$ (672,098)	\$ (299,374)	\$ (276,077)	\$ 613,736
BEGINNING FUND BALANCE (DEFICIT)	<u>(301,443)</u>	<u>(2,069)</u>	<u>274,008</u>	<u>(339,728)</u>
ENDING FUND BALANCE (DEFICIT)	<u>\$ (973,541)</u>	<u>\$ (301,443)</u>	<u>\$ (2,069)</u>	<u>\$ 274,008</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

	Percentage of Total Revenues				
<u>2016</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 79,786	99.8 %	99.8 %	74.3 %	99.4 %	99.5 %
278	0.1	0.1	0.1	0.5	0.3
149	0.1	0.1	25.6	0.1	0.2
<u>\$ 80,213</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 65,789	1.8 %	8.8 %	14.8 %	34.2 %	82.0 %
25,365	5.0	4.7	5.8	17.2	31.6
39,661	30.4	15.2	2.7		
3,870,294	5.1	1.9	3.3	12.3	49.4
<u>\$ 4,001,109</u>	<u>383.5 %</u>	<u>857.0 %</u>	<u>653.4 %</u>	<u>2,796.7 %</u>	<u>4,825.0 %</u>
\$ (3,920,896)	(325.8) %	(787.6) %	(580.0) %	(2,760.4) %	(4,888.0) %
<u>\$ 3,500,000</u>					
\$ (420,896)					
81,168					
<u>\$ (339,728)</u>					
<u>N/A</u>					
<u>N/A</u>					

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020**

District Mailing Address - Westwood Management District
c/o Hawes Hill & Associates, LLP
P.O. Box 22167
Houston, TX 77227-2167

District Telephone Number - (713) 595-1200

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended September 30, 2020</u>	<u>Expense Reimbursements for the year ended September 30, 2020</u>	<u>Title</u>
Maria Morales	06/17 06/21 (Appointed)	\$ 2,250	\$ -0-	President
Javier Martinez	04/20 06/21 (Appointed)	\$ 1,050	\$ -0-	Vice President
Scott Short	06/19 06/23 (Appointed)	\$ 1,950	\$ -0-	Secretary
Daniel Rogers	04/20 06/21 (Appointed)	\$ 1,050	\$ -0-	Assistant Secretary
E.L. Ted O' Rourke	04/20 06/23 (Appointed)	\$ 750	\$ -0-	Director
Norma Ramos	04/20 06/23 (Appointed)	\$ 600	\$ -0-	Director

Submission date of most recent District Registration Form: October 10, 2018

See accompanying independent auditor's report.

**WESTWOOD MANAGEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020**

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2020</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	05/16/18	\$ 14,708	General Counsel
McCall Gibson Swedlund Barfoot PLLC	10/06/15	\$ 8,500	Auditor
ETI Bookkeeping Services	07/15/20	\$ 2,400	Bookkeeper
Carbone & Allison, LLP	11/18/13	\$ 20,654	Former Bookkeeper
Hawes Hill & Associates, LLP	04/16/14	\$ 17,992	Administrative Services
J. Morales, Inc.	08/19/15	\$ 392,176	Engineer
The GMS Group, LLC	01/30/2019	\$ - 0 -	Financial Advisor
Galveston County	07/23/14	\$ 1,310	Tax Assessor/ Collector

See accompanying independent auditor's report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN