

OFFICIAL STATEMENT DATED JUNE 30, 2022

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

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

NEW ISSUE - Book-Entry Only

**Ratings: S&P Global Ratings (BAM Insured) "AA" (stable outlook)
See "BOND INSURANCE" and "RATING" herein**

\$2,665,000
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213B
(A Political Subdivision of the State of Texas located within Harris County, Texas)
UNLIMITED TAX BONDS, SERIES 2022

Dated: July 1, 2022

Due: September 1, as shown on

Interest Accrual Date: Date of Delivery

the inside cover

Principal of the above bonds (the "Bonds") is payable to the registered owner thereof (the "Registered Owner") at the principal payment office of the paying agent/registrars, initially, The Bank of New York Mellon Trust Company, N. A., currently in Dallas, Texas, or any successor paying agent/registrars (the "Paying Agent," "Registrar" or "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected July 29, 2022) (the "Date of Delivery"), and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. The Bonds are issued in denominations of \$5,000 or any integral multiple thereof.

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

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



See Maturity Schedule on the inside cover

The Bonds, including the Term Bonds, maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of Harris County Municipal Utility District No. 213B (the "District"), as a whole or in part, on September 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed shall be selected by the District in integral multiples of \$5,000 within any one maturity. If fewer than all of the Bonds of any given maturity are to be redeemed at any time, the particular Bonds to be redeemed shall be selected by such method of random selection as determined by the Registrar (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present same to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

The Bonds constitute the third series of unlimited tax bonds issued by the District for the purpose of acquiring and constructing a waterworks, sanitary sewer and storm drainage system (the "System") to serve the District. Following the issuance of the Bonds, the total of the District's direct bonded indebtedness, consisting of the Outstanding Bonds (defined in this Official Statement under the caption "THE BONDS - Outstanding Bonds and Payment Record") and the Bonds, will be \$9,120,000. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. SEE "INVESTMENT CONSIDERATIONS." Voters in the District authorized a total of \$21,346,000 principal amount of bonds for the purpose of acquiring and constructing the System and one and one-half times the amount of bonds previously issued for the System for refunding such bonds, and \$11,530,000 for the construction of roads and one and one-half times the amount of bonds previously issued for roads for refunding such bonds. Following the issuance of the Bonds, \$12,061,000 in bonds for waterworks, sanitary sewer, and drainage facilities and \$11,530,000 for the construction of roads will remain authorized but unissued. See "THE BONDS - Issuance of Additional Debt." The Bonds, when issued, constitute valid and legally binding obligations of the District, payable from the proceeds of an ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of Payment."

Neither the State of Texas, the City of Baytown, Texas, Harris County, Texas, nor any political subdivision other than the District shall be obligated to pay the principal of and interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas, the City of Baytown, Texas, or Harris County, Texas, is pledged to the payment of the principal of and interest on the Bonds.

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject among other things to the approval of the Attorney General of Texas; and Coats Rose, P.C., Houston, Texas, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about July 29, 2022.

MATURITY SCHEDULE

CUSIP Prefix (a): 41424J

\$300,000 Serial Bonds

<u>Principal Amount</u>	<u>Maturity (Due September 1)</u>	<u>Interest Rate</u>	<u>Initial Reoffering Yield (b)</u>	<u>CUSIP Suffix (a)</u>
\$70,000	2024	6.50%	2.50%	BY5
70,000	2025	6.50	2.70	BZ2
80,000	2026	6.50	2.85	CA6
80,000	2027	6.50	3.00	CB4

\$160,000 Term Bonds, Due September 1, 2029(c)(d), CUSIP Suffix CD0 (a), Interest Rate 6.50% (Yield 3.15%)(b)
\$235,000 Term Bonds, Due September 1, 2032(c)(d), CUSIP Suffix CG3 (a), Interest Rate 5.75% (Yield 3.25%)(b)
\$210,000 Term Bonds, Due September 1, 2035(c)(d), CUSIP Suffix CK4 (a), Interest Rate 4.00% (Yield 4.00%)(b)
\$250,000 Term Bonds, Due September 1, 2039(c)(d), CUSIP Suffix CP3 (a), Interest Rate 4.00% (Yield 4.20%)(b)
\$1,510,000 Term Bonds, Due September 1, 2046(c)(d), CUSIP Suffix CW8 (a), Interest Rate 4.125% (Yield 4.35%)(b)

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

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT	4
SALE AND DISTRIBUTION OF THE BONDS	5
Award of the Bonds.....	5
Prices and Marketability.....	5
Securities Laws	5
BOND INSURANCE	5
Bond Insurance Policy	5
Build America Mutual Assurance Company.....	6
BOND INSURANCE RISK FACTORS	7
RATINGS.....	8
OFFICIAL STATEMENT SUMMARY	9
THE BONDS.....	17
General.....	17
Book-Entry-Only System.....	17
Use of Certain Terms in Other Sections of this Official Statement.....	19
Record Date.....	19
Assignments, Transfers and Exchanges	19
Redemption Provisions	20
Replacement of Registrar	21
Authority for Issuance.....	21
Outstanding Bonds and Payment Record	22
Source of Payment	22
Issuance of Additional Debt	22
No Arbitrage.....	23
Dissolution	23
Consolidation	24
Registered Owners’ Remedies	24
Bankruptcy Limitation to Registered Owners’ Rights	24
Legal Investment and Eligibility to Secure Public Funds in Texas	25
Defeasance	25
Use and Distribution of Bond Proceeds	26
THE DISTRICT	27
Authority	27
Description	27
Management of the District.....	28
DEVELOPMENT OF THE DISTRICT	29
DEVELOPER.....	29
General.....	29
Description of the Developer	30
BUILDER.....	30
FUTURE DEVELOPMENT	30
AERIAL PHOTOGRAPH OF THE DISTRICT	32
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT	33
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT.....	34
DISTRICT DEBT.....	35
Debt Service Requirement Schedule	35
Bonded Indebtedness.....	36
Estimated Direct and Overlapping Debt Statement.....	38

TAX DATA.....	39
Debt Service Tax.....	39
Maintenance Tax.....	39
Tax Rate Distribution.....	39
Analysis of Tax Base.....	39
Historical Values and Tax Collection History.....	40
Tax Rate Calculations.....	40
Principal 2021 Property Owners.....	41
Estimated Overlapping Taxes.....	42
TAXING PROCEDURES.....	42
Authority to Levy Taxes.....	42
Exempt Property.....	42
County-Wide Appraisal District.....	44
Assessment and Levy.....	44
Reappraisal of Property after Disaster.....	45
District and Taxpayer Remedies.....	45
Rollback of Operation and Maintenance Tax Rate.....	45
Collection.....	46
District’s Rights in the Event of Tax Delinquencies.....	46
Tax Payment Installments after Disaster.....	47
THE SYSTEM.....	47
Regulation.....	47
Description.....	47
ROAD SYSTEM.....	48
INVESTMENT CONSIDERATIONS.....	49
General.....	49
Factors Affecting Taxable Values and Tax Payments.....	49
Principal Land Owners’ Obligations to the District.....	50
Maximum Impact on District Tax Rates.....	50
Tax Collection Limitations.....	51
Registered Owners’ Remedies and Bankruptcy.....	52
Marketability.....	52
Future Debt.....	52
Competitive Nature of Houston and Baytown Housing and Commercial Development and Building Markets..	52
Continuing Compliance with Certain Covenants.....	53
Approval of the Bonds.....	53
Environmental Regulations.....	53
Extreme Weather Events.....	56
Infectious Disease Outbreak (COVID-19).....	56
Potential Effects of Oil Price Fluctuations on the Houston Area.....	57
Changes in Tax Legislation.....	57
LEGAL MATTERS.....	57
Legal Opinions.....	57
No Arbitrage.....	58
No-Litigation Certificate.....	58
No Material Adverse Change.....	58
Tax Exemption.....	58
Tax Accounting Treatment of Discount and Premium on Certain Bonds.....	59
Qualified Tax-Exempt Obligations.....	60
SOURCES OF INFORMATION.....	60
General.....	60
Experts.....	61
Certification as to Official Statement.....	61
Updating of Official Statement.....	61

CONTINUING DISCLOSURE OF INFORMATION..... 61
Annual Reports..... 62
Event Notices 62
Availability of Information 62
Limitations and Amendments 63
Compliance With Prior Undertakings 63

APPENDIX A - LOCATION MAP

APPENDIX B - FINANCIAL REPORT OF THE DISTRICT

APPENDIX C - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the “Underwriter” or the “Initial Purchaser”) to purchase the Bonds bearing the interest rates shown under “MATURITY SCHEDULE” at a price of 97.003392% of the principal amount thereof, which resulted in a net effective interest rate of 4.474332%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

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

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

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

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

Securities Laws

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

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com. BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$466.8 million, \$172.1 million and \$294.7 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

BOND INSURANCE RISK FACTORS

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

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

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

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

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

RATINGS

The Bonds have received an insured rating of “AA” (stable outlook) from S&P based upon the issuance of the Policy by the Insurer at the time of delivery of the Bonds. The District has made no application for an underlying municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer.....	Harris County Municipal Utility District No. 213B (the “District”), a political subdivision of the State of Texas, is located in Harris County, Texas. See “THE DISTRICT.”
The Issue	The \$2,665,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”), are dated July 1, 2022. Interest on the Bonds accrues from the Date of Delivery (as defined herein), at the rates shown on the inside cover hereof, and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. An aggregate of \$300,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2024 through 2027, inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$2,365,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2029, 2032, 2035, 2039, and 2046 (collectively, the “Term Bonds”), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. The Bonds, including the Term Bonds, maturing on and after September 1, 2029, are subject to redemption, in whole or from time to time in part, on September 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. In addition to being subject to optional redemption, the Term Bonds are also subject to mandatory sinking fund redemption on September 1 in the years and in the amounts as is more completely described in this Official Statement under the caption “THE BONDS - Redemption Provisions - Mandatory Redemption,” which amounts are subject to reduction by prior cancellation and optional redemption. See “THE BONDS - General” and - “Redemption Provisions.” The Bonds will be issued pursuant to a Bond Order (the “Bond Order”) adopted by the Board of Directors of the District. The Bonds are being issued under the authority of Chapters 49 and 54, Texas Water Code, as amended.
Book-Entry-Only System.....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (as defined herein), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).
Source of Payment	The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS - Source of Payment.”

Principal Use of Bond Proceeds.....	Proceeds of the sale of the Bonds will be used to (i) finance the District's cost of acquisition or construction of water, wastewater and drainage facilities serving Goose Creek Landing, Sections 3 through 5; Goose Creek Landing storm water pump station; and payment to the City of Baytown for capital buy-in for water and wastewater treatment capacity; (ii) pay interest on funds advanced on the District's behalf by the Developer of land located within the District (described below under the caption "Developer"); (iii) pay engineering, materials testing fees and a stormwater pollution prevention plan; and (iv) pay issuance costs, legal fees, fiscal agent's fees, fees to the Texas Commission on Environmental Quality (the "TCEQ") and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds. See "THE BONDS - Use and Distribution of Bond Proceeds."
Payment Record	The Bonds constitute the third series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing a water supply and distribution, wastewater collection and treatment and storm drainage/detention system (the "System"). The District has previously issued Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds") and Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds") to finance the acquisition or construction of components of the System. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the "Prior Bonds." The District has never defaulted in the timely payment of principal of and interest on the Prior Bonds. As of the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds, which will not have been defeased or otherwise paid by the District, will be \$6,455,000 (the "Outstanding Bonds"), and the aggregate principal amount of the District's total direct bonded indebtedness, including the Bonds, will be \$9,120,000. See "DISTRICT DEBT - Debt Service Requirement Schedule." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," "THE SYSTEM - Description," and "INVESTMENT CONSIDERATIONS - Future Debt."
Authorized but Unissued Bonds.....	\$12,061,000 bonds for the System and one and one-half times the amount of bonds previously issued for the System for refunding such bonds, and \$11,530,000 for constructing roads and one and one-half times the amount of bonds previously issued for roads for refunding such bonds will remain authorized but unissued after issuance of the Bonds. See "THE BONDS - Authority for Issuance" and "Issuance of Additional Debt."
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS."
Municipal Bond Rating.....	S&P Global Ratings (BAM Insured) "AA" (stable outlook). The District has made no application for an underlying municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such an application been made. See "BOND INSURANCE" and "RATING."

Qualified Tax-Exempt Obligations	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265 (b) of the Internal Revenue Code of 1986. See “LEGAL MATTERS - Qualified Tax-Exempt Obligations.”
Legal Opinion.....	Coats Rose PC, Houston, Texas, Bond Counsel. See “LEGAL MATTERS” and “TAX EXEMPTION.”
Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Houston, Texas.

THE DISTRICT

Description.....	Harris County Municipal Utility District No. 213B, a political subdivision of the State of Texas, was created by House Bill 3925, 83rd Legislature of the State of Texas, Regular Session, codified at Chapter 8479, Texas Special District Local Laws Code, effective September 1, 2013. The District contains approximately 111.82 acres of land. The District is located entirely within the city limits of the City of Baytown, Texas, approximately 25 miles east of the central business district of the City of Houston, Texas. The District is bounded on the north by the San Jacinto River Authority canal, on the west by a Houston Lighting & Power easement, on the east by Garth Road and on the south by Wallisville Road. The District is located entirely within Harris County, Texas. See “THE DISTRICT - Description” and “APPENDIX A - LOCATION MAP.”
------------------	---

Authority	The rights, powers, privileges, authority and functions of the District are established by Article XVI, Section 59 of the Constitution of the State of Texas and the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT - Authority.”
-----------------	---

Development of the District.....	As of May 1, 2022, the District contained 369 homes, including 29 homes under construction. See “BUILDER.” According to the District’s Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve 380 fully-developed single family residential lots located in Goose Creek Landing, Sections 1 through 5 (approximately 106.84 of the District’s total of approximately 111.82 acres) as is delineated in the chart that appears below. In addition, a Stripes gasoline service station and convenience store has been constructed on approximately 1.62 acres located within the District, and an AutoZone automotive store is currently under construction on approximately 1.61 acres located within the District.
----------------------------------	---

The primary developer of the District, Castlerock Communities, L.P. (“Castlerock” or the “Developer”) (defined under the caption “DEVELOPER”) has completed the development of the aforementioned 380 single family residential lots that have been subdivided as Goose Creek Landing, Sections 1 through 5. Castlerock is constructing homes within the District as is described below under the caption “BUILDER.” Castlerock owns no additional land located within the District. Preferred Properties Partnership (“PPP”) (defined under the caption “DEVELOPER”) owns approximately 1.75 acres of currently undeveloped land located within the District that are expected to be used for future commercial development. The District cannot represent whether, or when, the development of any of the

aforementioned currently undeveloped acres might occur. Easements, rights of way, detention ponds, and areas otherwise not available for future development are contained within the plats of Goose Creek Landing, Sections 1 through 5. See “DEVELOPER,” “FUTURE DEVELOPMENT,” “TAX DATA - Principal 2021 Property Owners” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

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

Developer.....

The primary developer of land within the District is Castlerock Communities, L.P., a Texas limited partnership (“Castlerock” or the “Developer”) whose general partner is YW Holdings, LLC, and whose principal limited partners are Kirk Breitenwicher, Greg Yakin and Lance Wright. As is described in this Official Statement above under the caption “DEVELOPMENT OF THE DISTRICT,” the Developer has completed the development of 380 single family residential lots (approximately 106.84 total acres) within the District that have been subdivided as Goose Creek Landing, Sections 1 through 5. The Developer owns no additional land located within the District.

Preferred Properties Partnership (“PPP”) owns approximately 1.75 acres of currently undeveloped land located within the District that is expected to be used for future commercial development. Since PPP is not under any obligation to the District to develop its currently undeveloped acres according to any plan, timetable, or at all, the District cannot represent that the development thereof will be undertaken.

Builder.....

Homes which are currently being constructed in Goose Creek Landing located within the District by Castlerock range in size from approximately 1,604 square feet to 4,299 square feet of living area and sales price from approximately \$199,990 to \$394,990. Castlerock is sometimes referred to herein as the “Builder.”

Infectious Disease Outbreak (COVID-19).....

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

There are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION
(Unaudited)

2021 Assessed Valuation..... (As of January 1, 2021) See "TAX DATA" and "TAXING PROCEDURES"	\$ 76,842,627 (a)
2022 Preliminary Valuation..... (As of January 1, 2022) See "TAX DATA" and "TAXING PROCEDURES"	\$ 100,242,347 (b)
Estimated Valuation at May 1, 2022 (As of May 1, 2022) See "TAX DATA" and "TAXING PROCEDURES"	\$ 102,951,921 (c)
Direct Debt:	
Outstanding Bonds.....	\$ 6,455,000
The Bonds	<u>2,665,000</u>
Total	\$ <u>9,120,000</u> (d)
Estimated Overlapping Debt	\$ <u>7,014,344</u>
Total Direct and Estimated Overlapping Debt	\$ <u>16,134,344</u>
Ratio of Direct Debt	
: as a percentage of 2021 Assessed Valuation.....	11.87 %
: as a percentage of 2022 Preliminary Valuation.....	9.10 %
: as a percentage of Estimated Valuation at May 1, 2022	8.86 %
Ratio of Direct and Estimated Overlapping Debt	
: as a percentage of 2021 Assessed Valuation.....	21.00 %
: as a percentage of 2022 Preliminary Valuation.....	16.10 %
: as a percentage of Estimated Valuation at May 1, 2022	15.67 %
Debt Service Fund Balance as of May 26, 2022.....	\$ 604,312 (e)
General Fund Balance as of May 26, 2022.....	\$ 486,828
2021 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$0.65
Maintenance Tax.....	<u>0.15</u>
Total	\$ 0.80 (f)
Average Percentage of Total Tax Collections (2016-2020) as of April 30, 2022	99.90 %
Percentage of Tax Collections (2021) as of April 30, 2022 (In process of collection.).....	98.56 %
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2046).....	\$ 556,647 (f)
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026)	\$ 571,488 (f)

Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2046) at 95% Tax Collections

Based Upon 2021 Assessed Valuation.....	\$	0.77 (f)
Based Upon 2022 Preliminary Valuation.....	\$	0.59 (f)
Based Upon Estimated Valuation at May 1, 2022	\$	0.57 (f)

Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2026) at 95% Tax Collections

Based Upon 2021 Assessed Valuation.....	\$	0.79 (f)
Based Upon 2022 Preliminary Valuation.....	\$	0.61 (f)
Based Upon Estimated Valuation at May 1, 2022	\$	0.59 (f)

Number of Single-Family Homes (including 29 homes under construction) as of May 1, 2022..... 369

Taxable Commercial Improvements Located within the District:

Completed:

Stripes Gasoline Service Station and Convenience Store

Under Construction:

AutoZone Automotive Store

-
- (a) As of January 1, 2021, and comprises the District’s 2021 tax roll. All property located in the District is valued on the appraisal rolls by the Harris County Appraisal District (the “Appraisal District”) at 100% of assessed valuation as of January 1 of each year. The District’s appraisal roll is certified by the Harris County Appraisal Review Board (the “Appraisal Review Board”). See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”
 - (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2022, as reflected on the District’s preliminary 2022 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2022 values resulting from the construction of taxable improvements from January 1, 2021, through December 31, 2021. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such preliminary tax roll does not include personal property values. Therefore, this amount includes the 2021 taxable value of personal property located within the District. The taxable value of personal property on the District’s 2021 tax roll was \$673,571. The District’s ultimate 2022 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2022. See “TAXING PROCEDURES.”
 - (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 1, 2022, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2022, through April 30, 2022. The ultimate Assessed Valuation of any improvements added from January 1, 2022, through April 30, 2022, will not be included on the District’s 2022 tax roll but will be placed on the District’s 2023 tax roll, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2023.
 - (d) See “DISTRICT DEBT.” In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See “THE BONDS - Issuance of Additional Debt,” and - “Use and Distribution of Bond Proceeds,” “THE SYSTEM” and “INVESTMENT CONSIDERATIONS - Future Debt.”

- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2022. The District's remaining debt service payments for 2022, which are due on September 1, 2022, total \$187,369, and consist of principal of and interest on the Outstanding Bonds. The District's initial debt service requirement on the Bonds is due on March 1, 2023, and consists of an interest payment thereon.
- (f) The District levied a debt service tax rate of \$0.65 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2021. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2021 tax levies of all units of government which levy taxes against the property located within the District, including the District's total tax rate of \$0.80 per \$100 of Assessed Valuation, is \$3.77004 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of most municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of some municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAX DATA" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

OFFICIAL STATEMENT

\$2,665,000

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213B UNLIMITED TAX BONDS SERIES 2022

THE BONDS

General

This Official Statement provides certain information with respect to the issuance by Harris County Municipal Utility District No. 213B (the “District”) of its \$2,665,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”).

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

The Bonds are dated July 1, 2022. The Bonds bear interest from the initial date of delivery (the “Date of Delivery”), with interest payable on March 1, 2023, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. An aggregate of \$300,000 of the Bonds are issued as serial bonds maturing on September 1 in each of the years 2024 through 2027, inclusive, in the principal amounts set forth on the inside cover page of this Official Statement. An aggregate of \$2,365,000 of the Bonds are issued as term bonds maturing on September 1 in each of the years 2029, 2032, 2035, 2039, and 2046 (collectively, the “Term Bonds”), in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds are issued in fully registered form and will be issued in denominations of \$5,000 of principal amount or integral multiples thereof. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption upon presentation to the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, or any successor paying agent/registrar (the “Paying Agent,” “Registrar” or “Paying Agent/Registrar”). Interest on the Bonds is based on a 360-day year of twelve 30-day months. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described below under “Book-Entry-Only System.”

Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Record Date

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

Assignments, Transfers and Exchanges

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

Redemption Provisions

Mandatory Redemption

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

\$160,000 Term Bonds Maturing on September 1, 2029

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2028	\$80,000
September 1, 2029 (maturity)	80,000

\$235,000 Term Bonds Maturing on September 1, 2032

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2030	\$80,000
September 1, 2031	80,000
September 1, 2032 (maturity)	75,000

\$210,000 Term Bonds Maturing on September 1, 2035

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2033	\$70,000
September 1, 2034	70,000
September 1, 2035 (maturity)	70,000

\$250,000 Term Bonds Maturing on September 1, 2039

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2036	\$65,000
September 1, 2037	65,000
September 1, 2038	60,000
September 1, 2039 (maturity)	60,000

\$1,510,000 Term Bonds Maturing on September 1, 2046

<u>Mandatory Redemption Dates</u>	<u>Principal Amount</u>
September 1, 2040	\$55,000
September 1, 2041	55,000
September 1, 2042	50,000
September 1, 2043	50,000
September 1, 2044	260,000
September 1, 2045	510,000
September 1, 2046 (maturity)	530,000

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

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds, including the Term Bonds, maturing on and after September 1, 2029, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be optionally redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar (or DTC in accordance with its procedures, so long as the Bonds are registered in accordance with the Book-Entry-Only System). See “BOOK- ENTRY-ONLY SYSTEM.” If less than all of the Term Bonds of a maturity are to be redeemed, the District will notify the Paying Agent/Registrar of the reductions in the remaining mandatory redemption amounts to result from the optional redemption or prior cancellation. Notice of each exercise of the reserved right of optional redemption shall be given at least thirty (30) calendar days prior to the date fixed for redemption, in the manner specified in the Bond Order.

Effects of Redemption

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

Replacement of Registrar

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

Authority for Issuance

At an election held within the District on November 4, 2014, the voters of the District authorized \$21,346,000 unlimited tax bonds for acquiring or constructing water, sanitary sewer and drainage facilities (the “System”), \$11,530,000 unlimited tax bonds for acquiring or constructing roads, refunding bonds in an amount not in excess of one and one-half times the amount of bonds previously issued by the District for the System and refunding bonds in an amount not in excess of one and one-half times the amount of bonds previously issued by the District for roads. Following the issuance of the Bonds, \$12,061,000 bonds for the System and one and one-half times the amount of bonds previously issued for the System for refunding such bonds, and \$11,530,000 for constructing roads and one and one-half times the amount of bonds previously issued for roads for refunding such bonds will remain authorized but unissued. See “Issuance of Additional Debt” below.

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

Outstanding Bonds and Payment Record

The Bonds constitute the third series of unlimited tax bonds to be issued by the District for the purpose of acquiring or constructing the System. The District has previously issued Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds") and Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds") to finance the acquisition or construction of components of the System. Collective reference is made in this Official Statement to all of such bonds previously issued by the District as the "Prior Bonds." The District has never defaulted in the timely payment of principal of and interest on the Prior Bonds. As of the date of issuance of the Bonds, the aggregate principal amount of the Prior Bonds, which will not have been defeased or otherwise paid by the District, will be \$6,455,000 (the "Outstanding Bonds"), and the aggregate principal amount of the District's total direct bonded indebtedness, including the Bonds, will be \$9,120,000. See "DISTRICT DEBT - Debt Service Requirement Schedule." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "Issuance of Additional Debt" and "Use and Distribution of Bond Proceeds" below, "THE SYSTEM - Description," and "INVESTMENT CONSIDERATIONS - Future Debt."

Source of Payment

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

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

Issuance of Additional Debt

The District has reserved the right in the Bond Order to issue additional bonds. Following the issuance of the Bonds, the District will have the right to issue \$12,061,000 bonds for the System and one and one-half times the amount of bonds previously issued for the System for refunding such bonds, and \$11,530,000 for constructing roads and one and one-half times the amount of bonds previously issued for roads, as approved by the District's voters at the election held on November 4, 2014.

The District has the right to issue the aforementioned bonds without the necessity of further voter authorization. Before issuing any additional bonds for waterworks, sanitary sewer, and drainage facilities, the District would have to obtain approval of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission") for the issuance of such bonds and the projects to be financed thereby. Since the District has not financed all components of the System which it currently expects to finance, the District anticipates issuing additional bonds for such purposes as future development in the District necessitates. The District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt." Based on present engineering cost estimates, in the opinion of the District's consulting engineer, Cobb, Fendley & Associates, Inc. (the "Engineer"), the aforementioned \$12,061,000 authorized but unissued bonds for the System will be adequate to finance the extension of waterworks, wastewater and drainage facilities to serve all of the remaining undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionally, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "INVESTMENT CONSIDERATIONS - Future Debt."

The District has the right to issue such additional tax bonds, revenue bonds, or combination tax and revenue bonds as may be hereafter approved by the voters of the District. The District also has the right to issue revenue notes, bond anticipation

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

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

The District has entered into a Facilities and Operating Costs Reimbursement Agreement (the "Reimbursement Agreement") with the Developer dated November 13, 2014, to reimburse the costs of constructing the System and the road system through the issuance of its ad valorem tax bonds to the maximum extent allowed under the laws of the state of Texas and the rules of the TCEQ. As expressed in the Reimbursement Agreement, the District cannot be required to initiate the process of issuing bonds unless the subject bond issue can be amortized with a total District tax rate of \$1.00 per \$100 valuation of land, based upon the taxable value of the land developed by the Developer in the District.

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

Under certain circumstances the District also is authorized to construct roads. As approved by the District's voters at the election held on November 4, 2014, the District has currently has \$11,530,000 in bonds to construct roads authorized but unissued. If additional debt obligations are issued in the future by the District for road purposes, such issuance will increase the debt/property ratios and might adversely affect the investment security of the Bonds.

No Arbitrage

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

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City of Baytown, Texas, the District may be dissolved by the City of Baytown, without the District's consent, subject to compliance by the City of Baytown with various requirements of Chapter 43 of the Texas Local Government Code, as amended. If the District is

dissolved, the City of Baytown must assume the District's assets and obligations (including the Bonds) and abolish the District within 90 days of the date of dissolution. Dissolution of the District by the City of Baytown is a policy-making matter within the discretion of the Mayor and City Council of the City of Baytown; therefore, the District makes no representation that the City of Baytown will ever dissolve the District and assume its obligations. Moreover, no representation is made concerning the ability of the City of Baytown to make debt service payments should dissolution occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and any portion of the System not conveyed to the City of Baytown), and liabilities (such as the Bonds), with the assets and liabilities of the district or 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.

Registered Owners' Remedies

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

feasible. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Registered Owner's claim against the District.

The District may not be placed into bankruptcy involuntarily.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

Use and Distribution of Bond Proceeds

Proceeds of the sale of the Bonds will be used to (i) finance the District's cost of acquisition or construction of water, wastewater and drainage facilities serving Goose Creek Landing, Sections 3 through 5; Goose Creek Landing storm water pump station; and payment to the City of Baytown for capital buy-in for water and wastewater treatment capacity; (ii) pay interest on funds advanced on the District's behalf by the Developer; (iii) pay engineering, materials testing fees and a stormwater pollution prevention plan; and (iv) pay issuance costs, legal fees, fiscal agent's fees, fees to the TCEQ and the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

I. Construction Costs	<u>District's Share</u>
A. Developer Contribution Items ^(a)	
1. Goose Creek Landing Storm Water Pump Station Clearing	\$27,747
2. Goose Creek Landing, Section 3 Water, Wastewater and Drainage	525,649
3. Goose Creek Landing, Section 4 Water, Wastewater and Drainage	491,912
4. Goose Creek Landing, Section 5 Water, Wastewater and Drainage	271,870
5. Engineering, Materials Testing and Storm Water Pollution Prevention Plan	<u>558,376</u>
Total Developer Contribution Items	\$1,875,554
B. District Items	
1. Water and Wastewater Capacity Payments (City of Baytown)	<u>417,284</u>
Total District Items	\$417,284
Less Use of Surplus Funds	<u>(278,618)</u>
TOTAL NET CONSTRUCTION COSTS	\$2,014,220

II. Non-Construction Costs

A. Legal Fees	\$79,950
B. Fiscal Advisor Fees	53,300
C. Developer Interest ^(b)	347,295
D. Bond Discount	79,860
E. Bond Issuance Expenses	35,132
F. Bond Application Report Costs	45,825
G. Attorney General Fee	2,665
H. TCEQ Bond Issuance Fee	6,663
I. Contingencies ^(c)	<u>90</u>
TOTAL NON-CONSTRUCTION COSTS	<u>\$650,780</u>
TOTAL BOND ISSUE REQUIREMENTS	<u>\$2,665,000</u>

- (a) The rules of the TCEQ require in certain instances that developers within a district subject to the jurisdiction of the TCEQ contribute to the construction program of such district an amount of money equal to thirty percent (30%) of the construction costs of certain water, sewer and drainage facilities in that district. The District requested an exemption from such developer participation requirement on the basis of one of the criteria under TCEQ rules for such exemption. The TCEQ granted the request for such exemption in its Order authorizing the District to issue the Bonds.
- (b) Represents interest owed on advances of construction costs and engineering fees made on the District's behalf. The actual amount of interest owed will be calculated at the lesser of (i) the net effective interest rate borne by the Bonds or (ii) the interest rate at which the party that is entitled to such payment has borrowed funds.
- (c) Represents funds which may be used by the District subject to approval pursuant to TCEQ rules on surplus funds.

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

THE DISTRICT

Authority

Harris County Municipal Utility District No. 213B, a political subdivision of the State of Texas, was created by House Bill 3925, 83rd Legislature of the State of Texas, Regular Session, codified at Chapter 8479, Texas Special District Local Laws Code, effective September 1, 2013. The District was created pursuant to the authority of Chapter 54, Texas Water Code, and Article XVI, Section 59 of the Texas Constitution. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54, Texas Water Code, as amended. The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, and drainage facilities and roads, and to provide such facilities and services to the customers of the District. The District, if approved by the voters within the District, the TCEQ, and other governmental entities having jurisdiction, may establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Under certain circumstances the District also is authorized to construct, develop and maintain park and recreational facilities and to construct roads. The District is subject to the continuing supervision of the TCEQ in certain matters.

Description

The District contains approximately 111.82 acres of land. The District is located entirely within the city limits of the City of Baytown, Texas, approximately 25 miles east of the central business district of the City of Houston, Texas. The District is bounded on the north by the San Jacinto River Authority canal, on the west by a Houston Lighting & Power easement, on the east by Garth Road and on the south by Wallisville Road. The District is located entirely within Harris County, Texas. See "APPENDIX A - LOCATION MAP."

Management of the District

The District is governed by the Board of Directors, consisting of five directors. The Board of Directors has control over and management supervision of all affairs of the District. Directors serve four-year staggered terms, and elections are held within the District in May in odd numbered years. The current members and officers of the Board, along with their respective terms of office, are listed below. None of the Directors currently reside within the District. The Directors own separate parcels of land subject to separate non-recourse promissory notes secured by deeds of trust in favor of the Developer (hereinafter defined).

<u>Name</u>	<u>Position</u>	<u>Term Expires in May</u>
Juanita Orsak	President	2026
Mark Prause	Vice President	2026
Stacy Lord	Secretary	2024
Jimmy C. Flowers	Assistant Secretary	2024
Vacant	Director	2026

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

Bookkeeper - The District's bookkeeper is L&S District Services, LLC, which acts as bookkeeper for approximately 150 utility districts.

Tax Assessor/Collector - The District has engaged Assessments of the Southwest, Houston, Texas, as the District's Tax Assessor/Collector. According to Assessments of the Southwest, it presently serves approximately 204 taxing units as tax assessor/collector. The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Harris County Appraisal District and bills and collects such levy.

Consulting Engineers - The District has engaged Cobb, Fendley & Associates, Inc., Houston, Texas, as Consulting Engineer on a contract basis to provide engineering services to the District.

Auditor - The District has engaged McGrath and Co., PLLC, to audit its financial statements for the year ending June 30, 2021. A copy of the District's audit for the fiscal year ended June 30, 2021, is included as "APPENDIX B" to this Official Statement.

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

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

DEVELOPMENT OF THE DISTRICT

As of May 1, 2022, the District contained 369 homes, including 29 homes under construction. See “BUILDER.” According to the District’s Engineer, underground water distribution, wastewater collection, and storm drainage/detention facilities and street paving have been completed to serve 380 fully-developed single family residential lots located in Goose Creek Landing, Sections 1 through 5 (approximately 106.84 of the District’s total of approximately 111.82 acres) as is delineated in the chart that appears below. In addition, a Stripes gasoline service station and convenience store has been constructed on approximately 1.62 acres located within the District, and an AutoZone automotive store is currently under construction on approximately 1.61 acres located within the District.

The primary developer of the District, Castlerock Communities, L.P. (“Castlerock” or the “Developer”) (defined below under the caption “DEVELOPER”) has completed the development of the aforementioned 380 single family residential lots that have been subdivided as Goose Creek Landing, Sections 1 through 5. Castlerock is constructing homes within the District as is described below under the caption “BUILDER.” Castlerock owns no additional land located within the District. Preferred Properties Partnership (“PPP”) (defined below under the caption “DEVELOPER”) owns approximately 1.75 acres of currently undeveloped land located within the District that are expected to be used for future commercial development. The District cannot represent whether, or when, the development of any of the aforementioned currently undeveloped acres might occur. Easements, rights of way, detention ponds, and areas otherwise not available for future development are contained within the plats of Goose Creek Landing, Sections 1 through 5. See “DEVELOPER,” “FUTURE DEVELOPMENT,” “TAX DATA - Principal 2021 Property Owners” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

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

Residential Units:

Subdivision	LOTS				HOMES				Models	Totals
	Fully Developed	Acres	Under Development	Acres	Under Construction Sold*	Unsold	Completed Sold*	Unsold		
Goose Creek Landing										
Section 1	84	42.63			0	8	70	0	0	78
Section 2	68	16.95			0	6	62	0	0	68
Section 3	78	17.96			0	5	69	0	0	74
Section 4	73	14.61			0	4	64	4	0	72
Section 5	77	14.69			0	6	65	6	0	77
TOTALS	380	106.84	0	0	0	29	330	10	0	369

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

DEVELOPER

General

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be emplaced in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In some instances, the developer will be required to pay up to thirty percent (30%) of the cost of emplacing certain of the water, wastewater and drainage facilities in the utility district pursuant to the rules of the TCEQ, although the District requested exemptions

from such developer participation requirement with respect to the facilities financed with the proceeds of the Prior Bonds and the Bonds on the basis of qualification for such exemption under the rules of the TCEQ, and the TCEQ granted such exemption in its Orders authorizing the sale of the Prior Bonds and the Bonds. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on the developer's right to sell any or all of the land which the developer owns within a district. See "FUTURE DEVELOPMENT" below.

Description of the Developer

The primary developer of land within the District is Castlerock Communities, L.P., a Texas limited partnership ("Castlerock" or the "Developer") whose general partner is YW Holdings, LLC, and whose principal limited partners are Kirk Breitenwicher, Greg Yakin and Lance Wright. As is described in this Official Statement above under the caption "DEVELOPMENT OF THE DISTRICT," the Developer has completed the development of 380 single family residential lots (approximately 106.84 total acres) within the District that have been subdivided as Goose Creek Landing, Sections 1 through 5. The Developer owns no additional land located within the District.

Preferred Properties Partnership ("PPP") owns approximately 1.75 acres of currently undeveloped land located within the District that is expected to be used for future commercial development. Since PPP is not under any obligation to the District to develop its currently undeveloped acres according to any plan, timetable, or at all, the District cannot represent that the development thereof will be undertaken.

BUILDER

Homes which are currently being constructed in Goose Creek Landing located within the District by Castlerock range in size from approximately 1,604 square feet to 4,299 square feet of living area and sales price from approximately \$199,990 to \$394,990. Castlerock is sometimes referred to herein as the "Builder."

FUTURE DEVELOPMENT

The development of approximately 106.84 acres of the District's total of approximately 111.82 acres has been completed into an aggregate of 380 single-family residential lots (Goose Creek landing, Sections 1 through 5) as is described above under the caption "DEVELOPMENT OF THE DISTRICT." In addition, a Stripes gasoline service station and convenience store has been constructed on approximately 1.62 acres located within the District, and an AutoZone automotive store is currently under construction on approximately 1.61 acres located within the District. Preferred Properties Partnership ("PPP") owns approximately 1.75 acres of currently undeveloped land located within the District that is expected to be used for future commercial development. Since PPP is not under any obligation to the District to develop its currently undeveloped acres according to any plan, timetable, or at all, the District cannot represent that the development thereof will be undertaken. Easements, rights-of-way, detention ponds, and areas otherwise not available for future development are contained within the plats of Goose Creek Landing, Sections 1 through 5.

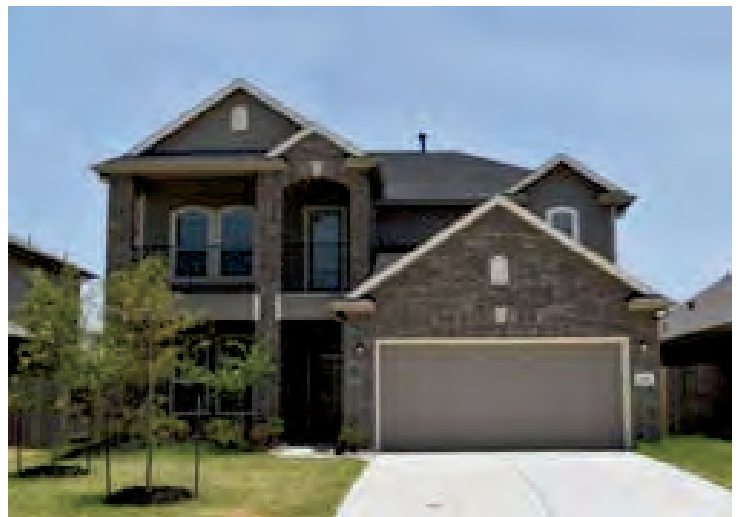
Although the aforementioned undeveloped acres may be developed in the future, the initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to develop and sell lots and/or other property and of any home builder to sell completed homes described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the District's water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues (if any) of the District's bonds and developer contributions, if any, as required by the TCEQ. In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds, and is financing with the proceeds of the sale of the Bonds (see "THE BONDS - Use and Distribution of Bond Proceeds" and "THE SYSTEM"), the District anticipates financing its cost of acquiring or constructing additional components of the System, and other items, with the proceeds of the sale of bonds, if any, to be issued by the District in the future. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE SYSTEM." The District's Engineer estimates that the \$12,061,000 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. See "THE BONDS - Issuance of Additional Debt," "THE SYSTEM -

Description,” and “INVESTMENT CONSIDERATIONS - Future Debt.” No party is under any obligation to initiate development of any of the currently undeveloped land located within the District or to complete any development, if begun, and any party initiating any future development thereon could modify or discontinue development plans, or may sell any of such land at its sole discretion at any time. Accordingly, the District makes no representation that future development will occur. See “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

AERIAL PHOTOGRAPH OF THE DISTRICT
(taken June 2022)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken June 2022)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken June 2022)



DISTRICT DEBT

Debt Service Requirement Schedule

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

Year Ending December 31	Current Total Debt Service	Plus: The Bonds		New Total Debt Service
		Principal	Interest	
2022	\$371,013			\$371,013
2023	370,688		\$135,131	505,819
2024	375,213	\$70,000	124,100	569,313
2025	378,488	70,000	119,550	568,038
2026	376,488	80,000	115,000	571,488
2027	379,213	80,000	109,800	569,013
2028	381,450	80,000*	104,600	566,050
2029	383,122	80,000*	99,400	562,522
2030	386,681	80,000*	94,200	560,881
2031	389,894	80,000*	89,600	559,494
2032	397,659	75,000*	85,000	557,659
2033	404,888	70,000*	80,688	555,575
2034	406,644	70,000*	77,888	554,531
2035	408,113	70,000*	75,088	553,200
2036	419,100	65,000*	72,288	556,388
2037	419,503	65,000*	69,688	554,191
2038	429,516	60,000*	67,088	556,603
2039	429,038	60,000*	64,688	553,725
2040	437,588	55,000*	62,288	554,875
2041	440,500	55,000*	60,019	555,519
2042	447,888	50,000*	57,750	555,638
2043	454,650	50,000*	55,688	560,338
2044	240,288	260,000*	53,625	553,913
2045		510,000*	42,900	552,900
2046		530,000*	21,863	551,863
	\$9,127,625	\$2,665,000	\$1,937,930	\$13,730,549

Average Annual Requirements: (2023-2046) \$556,647
 Maximum Annual Requirement: (2026) \$571,488

* Represents mandatory sinking fund payments on Term Bonds.

Bonded Indebtedness

2021 Assessed Valuation..... (As of January 1, 2021) See "TAX DATA" and "TAXING PROCEDURES"	\$ 76,842,627 (a)
2022 Preliminary Valuation..... (As of January 1, 2022) See "TAX DATA" and "TAXING PROCEDURES"	\$ 100,242,347 (b)
Estimated Valuation at May 1, 2022 (As of May 1, 2022) See "TAX DATA" and "TAXING PROCEDURES"	\$ 102,951,921 (c)
Direct Debt:	
Outstanding Bonds.....	\$ 6,455,000
The Bonds	<u>2,665,000</u>
Total	\$ 9,120,000 (d)
Estimated Overlapping Debt	\$ <u>7,014,344</u>
Total Direct and Estimated Overlapping Debt	\$ <u>16,134,344</u>
Ratio of Direct Debt	
: as a percentage of 2021 Assessed Valuation.....	11.87 %
: as a percentage of 2022 Preliminary Valuation.....	9.10 %
: as a percentage of Estimated Valuation at May 1, 2022	8.86 %
Ratio of Direct and Estimated Overlapping Debt	
: as a percentage of 2021 Assessed Valuation.....	21.00 %
: as a percentage of 2022 Preliminary Valuation.....	16.10 %
: as a percentage of Estimated Valuation at May 1, 2022	15.67 %
Debt Service Fund Balance as of May 26, 2022.....	\$ 604,312 (e)
General Fund Balance as of May 26, 2022.....	\$ 486,828
2021 Tax Rate per \$100 of Assessed Valuation	
Debt Service Tax.....	\$0.65
Maintenance Tax.....	0.15
Total	\$ 0.80 (f)

-
- (a) As of January 1, 2021, and comprises the District’s 2021 tax roll. All property located in the District is valued on the appraisal rolls by the Harris County Appraisal District (the “Appraisal District”) at 100% of assessed valuation as of January 1 of each year. The District’s appraisal roll is certified by the Harris County Appraisal Review Board (the “Appraisal Review Board”). See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”
- (b) This amount is the sum of the preliminary values of all taxable property located within the District as of January 1, 2022, as reflected on the District's preliminary 2022 tax roll supplied to the District by the Appraisal District, and includes the preliminary 2022 values resulting from the construction of taxable improvements from January 1, 2021, through December 31, 2021. When the Appraisal District supplies a taxing entity with a preliminary tax roll, such

preliminary tax roll does not include personal property values. Therefore, this amount includes the 2021 taxable value of personal property located within the District. The taxable value of personal property on the District's 2021 tax roll was \$673,571. The District's ultimate 2022 Assessed Valuation may vary significantly from such preliminary tax roll once the Appraisal Review Board certifies the value thereof for 2022. See "TAXING PROCEDURES."

- (c) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of May 1, 2022, and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2022, through April 30, 2022. The ultimate Assessed Valuation of any improvements added from January 1, 2022, through April 30, 2022, will not be included on the District's 2022 tax roll but will be placed on the District's 2023 tax roll, and may vary significantly from such estimate once the Appraisal Review Board certifies the value thereof in 2023.
- (d) In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt," and - "Use and Distribution of Bond Proceeds," "THE SYSTEM" and "INVESTMENT CONSIDERATIONS - Future Debt."
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Debt Service Fund. Such fund balance reflects the timely payment by the District of its debt service requirements on the Outstanding Bonds that were due on March 1, 2022. The District's remaining debt service payments for 2022, which are due on September 1, 2022, total \$187,369, and consist of principal of and interest on the Outstanding Bonds. The District's initial debt service requirement on the Bonds is due on March 1, 2023, and consists of an interest payment thereon.
- (f) The District levied a debt service tax rate of \$0.65 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2021. As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2021 tax levies of all units of government which levy taxes against the property located within the District, including the District's total tax rate of \$0.80 per \$100 of Assessed Valuation, is \$3.77004 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate tax levies of most municipal utility districts in the Houston metropolitan area, including the area of the District, but are within the range of the aggregate levies of some municipal utility districts in the Houston metropolitan area and the area of the District which are in stages of development comparable with the District. See "TAX DATA" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments."

Estimated Direct and Overlapping Debt Statement

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

<u>Taxing Jurisdiction</u>	<u>Debt as of May 1, 2022</u>	<u>Estimated Overlapping Percent</u>	<u>Amount</u>
Harris County ^(a)	\$1,682,992,125	0.0147%	\$248,080
Harris County Department of Education	20,185,000	0.0147%	2,975
Harris County Flood Control District	584,900,000	0.0147%	86,217
Harris County Hospital District	76,385,000	0.0147%	11,259
Port of Houston Authority	469,434,397	0.0147%	69,197
Goose Creek Consolidated Independent School District	709,413,572	0.4862%	3,449,395
Lee College District	37,890,000	0.4820%	182,639
City of Baytown	199,505,000	1.4860%	<u>2,964,582</u>
TOTAL ESTIMATED OVERLAPPING DEBT			\$7,014,344
TOTAL DIRECT DEBT ^(b)			<u>9,120,000</u>
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT			\$16,134,344
Ratio of Total Direct and Estimated Overlapping Debt to:			
	<u>% of 2021 Assessed Valuation</u>	<u>% of 2022 Preliminary Valuation</u>	<u>% of Estimated Valuation at May 1, 2022</u>
Direct Debt	11.87%	9.10%	8.86%
Direct and Overlapping Debt	21.00%	16.10%	15.67%

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

(b) See "Bonded Indebtedness" above.

Under Texas law ad valorem taxes levied by each taxing authority other than the District create a lien which is on a parity with the lien in favor of the District on all taxable property within the District. In addition to the ad valorem taxes required to retire the foregoing direct and overlapping debt, the various taxing authorities mentioned above also are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administration and/or general revenue purposes. Certain of the jurisdictions have in the past levied such taxes. The District has the power to assess, levy and collect ad valorem taxes for operation and maintenance purposes in an amount not to exceed \$1.25 per \$100 of Assessed Valuation, and such taxes have been authorized by the duly qualified voters of the District. The District has levied a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2021. See "TAX DATA - Maintenance Tax" and - "Tax Rate Distribution."

TAX DATA

Debt Service Tax

All taxable property within the District is subject to the assessment, levy and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Outstanding Bonds, the Bonds and any future tax-supported bonds which may be issued from time to time as authorized. Taxes are levied by the District each year against the District's assessed valuation at January 1 of that year. The Board covenants in the Bond Order to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds when due. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. The District has levied a debt service tax of \$0.65 per \$100 of Assessed Valuation for 2021.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by a vote of the District's electorate. The District voters have authorized the levy of such a maintenance tax for operation and maintenance of the System in an amount not to exceed \$1.25 per \$100 of Assessed Valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax supported bonds which may be issued in the future. The District has levied a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2021. See "Tax Rate Distribution" below.

Tax Rate Distribution

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service	\$0.65	\$0.65	\$0.40	\$0.00	\$0.00
Maintenance & Operations	<u>0.15</u>	<u>0.15</u>	<u>0.40</u>	<u>0.80</u>	<u>0.80</u>
Total	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80

Analysis of Tax Base

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

<u>Type of Property</u>	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$20,671,162	26.90%	\$18,637,480	30.13%	\$16,538,393	34.64%
Improvements	58,521,220	76.16%	44,350,985	71.70%	32,194,537	67.43%
Personal Property	848,885	1.10%	770,410	1.25%	492,255	1.03%
Exemptions	<u>(3,198,640)</u>	-4.16%	<u>(1,899,566)</u>	-3.07%	<u>(1,481,719)</u>	-3.10%
TOTAL	\$76,842,627	100.00%	\$61,859,309	100.00%	\$47,743,466	100.00%

<u>Type of Property</u>	<u>2018</u>		<u>2017</u>	
	<u>Assessed Valuation</u>	<u>%</u>	<u>Assessed Valuation</u>	<u>%</u>
Land	\$10,640,483	32.24%	\$6,100,768	33.65%
Improvements	22,552,731	68.33%	11,963,802	66.00%
Personal Property	370,060	1.12%	254,411	1.40%
Exemptions	<u>(556,378)</u>	-1.69%	<u>(191,398)</u>	-1.06%
TOTAL	\$33,006,896	100.00%	\$18,127,583	100.00%

Historical Values and Tax Collection History

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate^(a)</u>	<u>Total Levy</u>	<u>% Collections</u>	
				<u>Current & Prior Years^(b)</u>	<u>Year Ended 09/30</u>
2016	\$3,999,703	\$0.80	\$31,998	100.00%	2017
2017	18,127,583	\$0.80	145,021	100.00	2018
2018	33,006,896	\$0.80	264,055	100.00	2019
2019	47,743,466	\$0.80	381,948	99.52	2020
2020	61,859,309	\$0.80	494,874	99.97	2021
2021	76,842,627	\$0.80	614,741	98.56(c)	2022

(a) Per \$100 of Assessed Valuation.

(b) Such percentages reflect cumulative total collections for each year from the time each respective annual tax was levied through April 30, 2022. The amount of tax collected for each levy on a current basis (by September 30 of the year following each respective levy) is not reflected in this statement.

(c) As of April 30, 2022. In process of collection.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2021 Assessed Valuation, 2022 Preliminary Valuation or the Estimated Valuation at May 1, 2022. The calculations also assume collection of 95% of taxes levied, no use of other legally available District funds on hand, and the sale of no additional bonds by the District. As outlined above under the caption “Historical Values and Tax Collection History,” the District has, as of April 30, 2022, collected an average annual percentage of its property taxes of 99.90% for the period 2016 through 2020, and its 2021 tax levy was 98.56% collected as of such date.

Average Annual Debt Service Requirements (2023-2046).....	\$556,647
Tax Rate of \$0.77 on the 2021 Assessed Valuation (\$76,842,627) produces.....	\$562,104
Tax Rate of \$0.59 on the 2022 Preliminary Valuation (\$100,242,347) produces.....	\$561,858
Tax Rate of \$0.57 on the Estimated Valuation at May 1, 2022 (\$102,951,921) produces.....	\$557,485
Maximum Annual Debt Service Requirement (2026)	\$571,488
Tax Rate of \$0.79 on the 2021 Assessed Valuation (\$76,842,627) produces.....	\$576,704
Tax Rate of \$0.61 on the 2022 Preliminary Valuation (\$100,242,347) produces.....	\$580,904
Tax Rate of \$0.59 on the Estimated Valuation at May 1, 2022 (\$102,951,921) produces.....	\$577,046

The District has levied a debt service tax rate of \$0.65 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2021. As the above table indicates, the 2021 debt service tax rate will be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds assuming taxable values in the District at the level of the 2022 Preliminary Valuation or the Estimated Valuation at May 1, 2022, assuming collection of 95% of taxes levied, the use of no other legally available District funds on hand, and the issuance of no additional bonds by the District. In addition, as is illustrated in this Official Statement under the caption “TAX DATA - Historical Values Tax Collection History,” the District has collected an average of 99.90% of its 2016 through 2020 tax levies as of April 30, 2022, and its 2021 tax levy was 98.56% collected as of such date. Moreover, the District’s Debt Service Fund balance was \$604,312 as of May 26, 2022. Although neither Texas law

nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see “APPENDIX B - FINANCIAL REPORT OF THE DISTRICT”). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District has levied for 2021 - \$0.65 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments.”

Principal 2021 Property Owners

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

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation 2021 Tax Roll</u>	<u>% of 2021 Tax Roll</u>
Castlerock Communities, L.P.	Land and Improvements	\$3,526,657	4.59%
MDC Coast 9 LLC	Land and Improvements	1,491,634	1.94%
Jesus A. Hernandez	Land and Improvements	530,647	0.69%
Preferred Properties Partnership	Land	458,959	0.60%
Grant N. & Natalya Tilton	Land and Improvements	350,000	0.46%
Walter Ray Roberson Jr.	Land and Improvements	330,961	0.43%
Steven K. Gamble & Junabelle Abadilla	Land and Improvements	327,888	0.43%
Kenneth Eugene Wilburn	Land and Improvements	326,447	0.42%
Van Thanh Nguyen	Land and Improvements	326,314	0.42%
Preet M. & Deepa Singh	Land and Improvements	<u>323,429</u>	<u>0.42%</u>
		\$7,992,936	10.40%

Estimated Overlapping Taxes

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

<u>Taxing Jurisdiction</u>	<u>2021 Tax Rate Per \$100 of A.V.</u>
The District *	\$0.80000
Harris County	\$0.37693
Harris County Department of Education	\$0.00499
Harris County Flood Control District	\$0.03349
Harris County Hospital District	\$0.16221
Port of Houston Authority	\$0.00872
Goose Creek Independent School District	\$1.36860
Lee College District	\$0.23010
City of Baytown	<u>\$0.78500</u>
Total Tax Rate	\$3.77004

* The District has levied a debt service tax rate of \$0.65 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2021.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, against all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Prior Bonds and any additional bonds payable from taxes which the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year to year as described more fully above under the caption “THE BONDS - Source of Payment.” The Board is also authorized to levy and collect annual ad valorem taxes for the administration and maintenance of the District and the System and for the payment of certain contractual obligations if such taxes are authorized by vote of the District’s electors at an election. The District’s electors have authorized the levy of such a maintenance tax in an amount not to exceed \$1.25 per \$100 of Assessed Valuation. See “TAX DATA - Maintenance Tax.”

Exempt Property

Except for certain exemptions provided by Texas law, all real property and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Harris County Appraisal District (the “Appraisal District”) described below to assess taxes against tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt real property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; nonprofit cemeteries; and certain property owned by qualified charitable, religious, veterans, fraternal, or educational organizations. Partially exempt to the maximum extent of between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who

died while on active duty. Totally exempt is property owned by a veteran who receives a disability rating of 100%. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if (i) the residence homestead was donated by a charitable organization at no cost to the disabled veteran or, (ii) the residence was donated by a charitable organization at some cost to the disabled veteran if such cost is less than or equal to fifty percent (50%) of the total good faith estimate of the market value of the residence as of the date the donation is made. Also, the surviving spouse of (i) a member of the armed forces, (ii) a first responder as defined under Texas law, who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the number of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old to the extent of \$10,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District.

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

A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for the tax year 2012 and subsequent years.

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

County-Wide Appraisal District

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

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

Assessment and Levy

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

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

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

Reappraisal of Property after Disaster

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

District and Taxpayer Remedies

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

The Property Tax Code establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

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

Low Tax Rate Districts

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year’s debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a

Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts.

Developing Districts

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

The District

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

Collection

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the person who owns or acquires the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year upon the property. The District's tax lien is on a parity with the tax liens of the other jurisdictions levying taxes on property within the District. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a lien of the United States. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit at any time after taxes become delinquent to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may also be adversely affected by the amount of taxes owed to other federal,

state and local taxing jurisdictions, by the effects of market conditions on the foreclosure sales price, by the taxpayer's redemption rights (a taxpayer may redeem property within two (2) years for residence homesteads or land designated for agricultural use and within six (6) months for all other types of real property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrain or stay the collection of a taxpayer's debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court. See "INVESTMENT CONSIDERATIONS - Principal Land Owners' Obligations to the District."

Tax Payment Installments after Disaster

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

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

THE SYSTEM

Regulation

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

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. According to the District's Engineer, the total number of equivalent single-family connections ("ESFCs") projected for the District at the full development of its approximate 111.82 acres is approximately 380 with a total estimated population of 1,330 people. A description of portions of the System follows and is based upon information supplied by the District's Engineer.

Description

The District has financed and will finance certain of its costs of construction or acquisition of components of the water supply and distribution, wastewater collection and treatment, and storm drainage/detention facilities, and other facilities that have been constructed to serve the land within the District with portions of the proceeds of the sale of the Prior Bonds and the Bonds as is enumerated in this Official Statement under the caption "THE BONDS - Use and Distribution of Bond Proceeds." In addition to the components of the System that the District has financed with the proceeds of the sale of the Prior Bonds and is financing with the proceeds of the sale of the Bonds, the District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS - Future Debt."

- Storm Drainage -

Storm water drainage for the District is accomplished by the Garth Road storm sewer system financed by the District that ultimately discharges into Cedar Bayou. The District maintains a detention pond and storm water pump station located within its boundaries.

- Water Supply -

The District does not own any water supply facilities. The District receives water from the City of Baytown, which purchases water from the Baytown Area Water Authority.

- Wastewater Treatment -

The District does not own any wastewater treatment facilities. The City of Baytown receives wastewater from the District via the offsite connection to existing sanitary sewer services through Eastpoint Subdivision south of Wallisville Road, which are owned and operated by the City of Baytown.

- 100-Year Flood Plain -

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

According to the District's Engineer, the Federal Emergency Management Agency Flood Hazard Boundary Map currently in effect which covers the land located in the District indicates that no portion of the District (except the storm water detention ponds that have been constructed within the District) is located in the 100-year flood plain.

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study which is based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

ROAD SYSTEM

The road system (the "Roads") serves the residents of the District by providing access to major thoroughfares and collectors within Goose Creek Landing and surrounding areas. The internal subdivision streets provide access to several collectors including Goldeneye Drive, Crescent Lake Circle, E. Crescent Lake Circle, W. Crescent Lake Circle, Gander Lake Lane, and Goose Creek Landing Drive. These internal streets and collectors convey the residents of the district to the major thoroughfares of Wallisville Road and Garth Road and ultimately to Interstate 10. All Roads are maintained by the City of Baytown.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

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

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

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of mortgage and development funding have a direct impact on residential and commercial development activity and the construction of homes and commercial projects, particularly short-term interest rates at which developers are able to obtain financing for development costs and at which homebuilders are able to finance the construction of new homes for sale and at which commercial developers are able to finance new commercial projects. Interest rate levels may affect the ability of a developer with undeveloped property to undertake and complete development activities within the

District and of homebuilders to initiate the construction of new homes for sale and of commercial developers to initiate the construction of commercial projects. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued development and/or home construction or the construction of new commercial projects within the District. In addition, since the District is located approximately 21 miles northwest of the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and in real estate and financial markets in the United States could adversely affect development and homebuilding plans or the construction of future commercial buildings in the District and restrain the growth of the District's property tax base.

Principal Land Owners' Obligations to the District

The ability of any principal land owner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. The largest component of the District's 2020 tax roll consists of the land and improvements owned by Castlerock Communities, L.P. (defined in this Official Statement under the caption "DEVELOPER"), the 2021 Assessed Valuation of which is \$3,526,657 (approximately 4.59% of the District's total 2021 Assessed Valuation). The second largest single component of the District's 2021 tax roll consists of the land and improvements owned by MDC Coast 9 LLC, the owner of the Stripes gasoline service station and convenience store located within the District, the 2021 Assessed Valuation of which is \$1,491,634 (approximately 1.94% of the District's total 2021 Assessed Valuation). See "TAX DATA - Principal 2021 Property Owners" and "DEVELOPMENT OF THE DISTRICT."

The development of approximately 108.46 of the approximately 111.82 acres of land located in the District has been completed (including 380 fully developed single-family residential lots) as is described in this Official Statement under the caption "DEVELOPMENT OF THE DISTRICT." Preferred Properties Partnership ("PPP") owns approximately 1.75 acres of currently undeveloped land located within the District that is expected to be used for future commercial development. Since PPP is not under any obligation to the District to develop its currently undeveloped acres according to any plan, timetable or at all, the District cannot represent that any development thereof will be undertaken or completed. There is no commitment by or legal requirement of PPP or any other party to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any home building company, including Castlerock, which is currently constructing homes located in the District, to proceed at any particular pace with the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of home construction activity in the District."

Maximum Impact on District Tax Rates

Assuming no further construction of homes and other taxable improvements within the District other than those which have heretofore been constructed, and no additional development in the District other than the development which has occurred to date, the value of the land and improvements currently located within the District will be a major determinant of the ability of the District to collect, and the willingness of District property owners to pay, ad valorem taxes levied by the District. The District has levied a debt service tax rate of \$0.65 per \$100 of Assessed Valuation and a maintenance tax of \$0.15 per \$100 of Assessed Valuation for 2021. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds will be \$571,488 (2026), and the Average Annual Debt Service Requirements will be \$556,647 (2023 through 2046, inclusive). The 2021 Assessed Valuation of property within the District is \$76,842,627. Assuming no increase to or decrease from the 2021 Assessed Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of \$0.79 and \$0.77 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The 2022 Preliminary Valuation of property within the District is \$100,242,347. Assuming no increase to or decrease from the 2022 Preliminary Valuation, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of \$0.61 and \$0.59 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. The Estimated Valuation at May 1, 2022, of property within the District is

\$102,951,921. Assuming no increase to or decrease from the Estimated Valuation at May 1, 2022, the issuance of no additional bonds by the District, and no use of other legally available District funds, tax rates of \$0.59 and \$0.57 per \$100 of Assessed Valuation at a 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement and the Average Annual Debt Service Requirements, respectively. Therefore, the 2021 debt service tax rate will be sufficient to pay the Average Annual Debt Service Requirements and the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds assuming taxable values at the level of the 2022 Preliminary Valuation or the Estimated Valuation at May 1, 2022. In addition, as is illustrated in this Official Statement under the caption "TAX DATA - Historical Values Tax Collection History," the District has collected an average of 99.90% of its 2016 through 2020 tax levies as of April 30, 2022, and its 2021 tax levy was 98.56% collected as of such date. Moreover, the District's Debt Service Fund balance was \$604,312 as of May 26, 2022. Although neither Texas law nor the Bond Order requires that any specific amount be retained in the Debt Service Fund at any time, the District has in the past applied earnings from the investment of monies held in the Debt Service Fund to meet the debt service requirements of the Prior Bonds (see "APPENDIX B - FINANCIAL REPORT OF THE DISTRICT"). Therefore, the District anticipates that it will be able to meet the debt service requirements on the Bonds and the Outstanding Bonds without increasing the tax rate for debt service above the debt service rate which the District levied for 2021 - \$0.65 per \$100 of Assessed Valuation. However, the District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the aforementioned tax rate or to justify continued payment of taxes by property owners. See "TAX DATA - Tax Rate Calculations."

Increases in the District's tax rate to levels higher than the total rate of \$0.80 per \$100 of Assessed Valuation which the District has levied for 2021, consisting of debt service and maintenance tax components of \$0.65 and \$0.15 per \$100 of Assessed Valuation, respectively, may have an adverse impact upon future development within the District, the future construction of homes and other taxable improvements within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay, ad valorem taxes levied by the District. In addition, the collection by the District of delinquent taxes owed to it and the enforcement by a Registered Owner of the District's obligations to collect sufficient taxes may be a costly and lengthy processes. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

As is described in this Official Statement under the caption "TAX DATA - Estimated Overlapping Taxes," the aggregate of the 2021 tax levies of all units of government which levy taxes against the property located within the District plus the District's 2021 tax rate is \$3.77004 per \$100 of Assessed Valuation. Such aggregate levies are higher than the aggregate of the tax levies of most municipal utility districts located within the Houston metropolitan area, including the area of the District, but they are within the range of the aggregate levies of some municipal utility districts in the Houston metropolitan area in the area of the District which are in stages of development comparable with the District. One must consider the total tax burden of all overlapping jurisdictions imposed upon property located within the District as contrasted with property located in comparable real estate developments to gauge the relative tax burden on property within the District. The tax rate necessary to service the debt issued or to be issued by the District, and the tax rates levied by other overlapping jurisdictions, are subject to numerous uncertainties and variables, and thus the District can give no assurance that the composite tax rates imposed by overlapping jurisdictions, plus the District's tax rate, will be competitive with the tax rates of competing projects. To the extent that the District's composite tax rates are not competitive with competing developments, the growth of property tax values in the District and the investment quality or security of the Bonds could be adversely affected.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (i) cumbersome, time-consuming, and expensive collection procedures, (ii) a bankruptcy court's stay of tax collection procedures against a taxpayer, (iii) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (iv) the taxpayer's right to redeem the property within two years of foreclosure. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES - District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy

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

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

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Future Debt

The District has reserved in the Bond Order the right to issue the remaining \$12,061,000 bonds authorized but unissued for waterworks, wastewater and drainage facilities, the \$11,530,000 unlimited tax bonds for acquiring or constructing roads, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District also has reserved the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Order. All of the remaining bonds authorized for waterworks, sanitary sewer and drainage facilities, and for refunding purposes, which have heretofore been authorized by voters of the District may be issued by the District from time to time as needed. The issuance of the aforementioned \$12,061,000 bonds for waterworks, wastewater and drainage facilities is also subject to TCEQ approval. The District's Engineer estimates that the \$12,061,000 authorized bonds which remain unissued after the sale of the Bonds will be adequate to finance the construction of such facilities to provide service to all of the undeveloped portions of the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt to property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District expects to finance additional components of the System with the proceeds of the sale of bonds, if any, that the District expects to issue in the future. See "THE BONDS - Issuance of Additional Debt" and "THE SYSTEM - Description."

Competitive Nature of Houston and Baytown Housing and Commercial Development and Building Markets

The single-family housing and commercial development and building industries in the Houston and Baytown areas are very competitive, and the District can give no assurance that additional development or the construction of new homes or new taxable commercial improvements, other than the development that has been previously undertaken within the District or the homes and other improvements which currently exist within the District, will be initiated or completed. The

likelihood of additional development or of the construction of future residential or commercial improvements is affected by most of the factors discussed in this section, and such likelihood is directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District. Although the Builder is currently constructing homes in the District, the District cannot represent that additional homes will be constructed. See “BUILDER.”

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

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

Environmental Regulations

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

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

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

Air Quality Issues

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

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

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

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

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

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

Water Supply & Discharge Issues

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must

generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

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

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

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

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

In June and July of 2021, the EPA and USACE announced plans to further revise the definition of "waters of the United States." On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. In light of this order, the EPA and the USACE announced that they have halted implementation of the NWPR and are interpreting "waters of the United States" consistent with the pre-2015 regulatory regime until further notice while continuing to move forward with the rulemakings announced in June of 2021. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Extreme Weather Events

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

The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., “500 year flood” events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. According to District Officials, the District's System did not sustain any material damage from Hurricane Harvey and there was no interruption of water or sewer service. According to the District's Engineer, no homes within the District experienced structural flooding or other significant damage as a result of Hurricane Harvey.

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

Specific Flood Type Risks

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

Coastal (or Storm Surge) Flood

Coastal, or storm surge, flooding occurs when sea levels or water levels in estuarial rivers, bayous and channels rise to abnormal levels in coastal areas, over and above the regular astronomical tide, caused by forces generated from a severe storm's wind, waves, and low atmospheric pressure. Storm surge is extremely dangerous, because it is capable of flooding large swaths of coastal property and causing catastrophic destruction. This type of flooding may be exacerbated when storm surge coincides with a normal high tide.

Infectious Disease Outbreak (COVID-19)

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

There are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil and gas industry will have on property values in the District.

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinions

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

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT - Management of the District - Attorney," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions," " - No Arbitrage," " - Tax Exemption," " - Tax Accounting Treatment of Discount and Premium on Certain Bonds," and " - Qualified Tax-Exempt Obligations" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Order of the TCEQ approving the Bonds and to the requirements of the City of Houston with respect to the sale of the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

No Arbitrage

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

No-Litigation Certificate

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

No Material Adverse Change

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

Tax Exemption

Delivery of the Bonds is subject to an opinion of Coats Rose, P.C., Bond Counsel, to the effect that, as of the date of issuance of the Bonds, pursuant to section 103 of the Internal Revenue Code of 1986 (the “Code”), as amended, existing regulations, published rulings, and court decisions, (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds, and (2) the Bonds will not be treated as “specified private activity bonds” and, accordingly, the interest thereon will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

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

Bond Counsel’s opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the “IRS”); rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law to the extent deemed relevant to render such opinions and the representations and covenants referenced above. The IRS has an ongoing audit

program to determine whether interest on selected state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to the likelihood that the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures, the IRS is likely to treat the District as the taxpayer, and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

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

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

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

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

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

Qualified Tax-Exempt Obligations

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

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

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

SOURCES OF INFORMATION

General

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

The District’s financial statements for the year ended June 30, 2021, were audited by McGrath and Co., PLLC, and have been included herein as “APPENDIX B.” McGrath and Co., PLLC, have agreed to the publication of such financial statements in this Official Statement.

Experts

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

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

Certification as to Official Statement

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

Updating of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the SEC regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of outstanding bonds and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor to its functions as a repository through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data, which is customarily prepared by the District and publicly available, annually to the MSRB. The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2022. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12.

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

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the SEC Rule 15c2-12, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

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

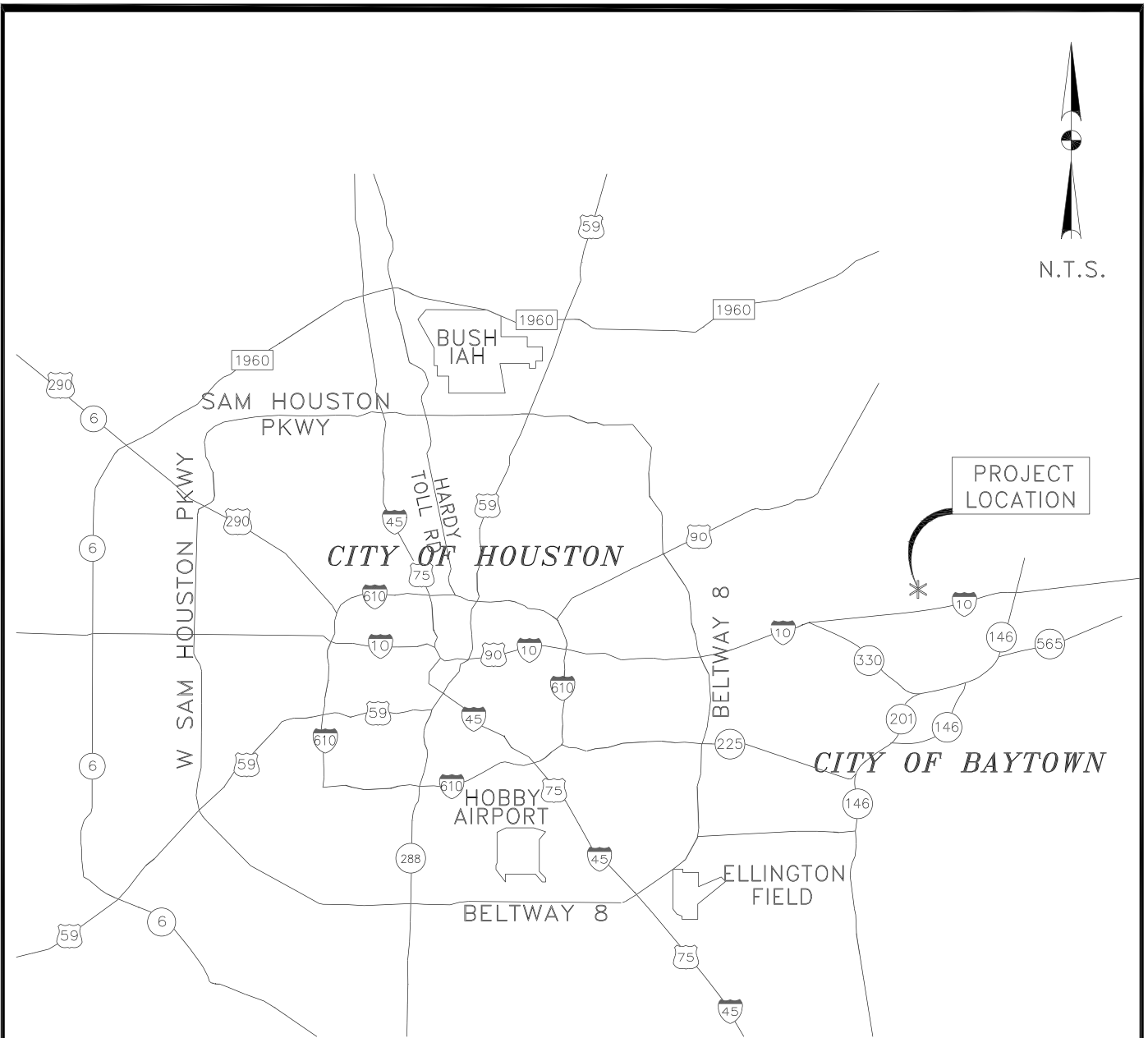
This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 213B as of the date shown on the first page hereof.

/s/ Juanita Orsak
President, Board of Directors
Harris County Municipal Utility District No. 213B

ATTEST:

/s/ Stacy Lord
Secretary, Board of Directors
Harris County Municipal Utility District No. 213B

APPENDIX A
LOCATION MAP



ATTACHMENT III

VICINITY MAP

*HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213B
HARRIS COUNTY, TEXAS*



TBPE Firm Registration No. 274
TBPLS Firm Registration No. 100467
13430 Northwest Freeway, Suite 1100
Houston, Texas 77040
713.462.3242 | fax 713.462.3262
www.cobbfendley.com

APPENDIX B

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213B

HARRIS COUNTY, TEXAS

FINANCIAL REPORT OF THE DISTRICT

JUNE 30, 2021

**HARRIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 213B**

HARRIS COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2021

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		5
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		32
Notes to Required Supplementary Information		33
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	36
General Fund Expenditures	TSI-2	38
Investments	TSI-3	39
Taxes Levied and Receivable	TSI-4	40
Long-Term Debt Service Requirements by Years	TSI-5	41
Change in Long-Term Bonded Debt	TSI-6	44
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	46
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	48
Board Members, Key Personnel and Consultants	TSI-8	50

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Harris County Municipal Utility District No. 213B
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Municipal Utility District No. 213B, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

***Board of Directors
Harris County Municipal Utility District No. 213B
Harris County, Texas***

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Harris County Municipal Utility District No. 213B, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

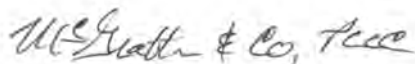
Other Matters

Required Supplementary Information

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

Other Information

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



Houston, Texas
October 28, 2021

Management's Discussion and Analysis

(This page intentionally left blank)

Using this Annual Report

Within this section of the financial report of Harris County Municipal Utility District No. 213B (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

***Harris County Municipal Utility District No. 213B
Management's Discussion and Analysis
June 30, 2021***

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

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

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

Financial Analysis of the District as a Whole

The District's net position at June 30, 2021, was negative \$6,380,170. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of Baytown. A comparative summary of the District's overall financial position, as of June 30, 2021 and 2020, is as follows:

	2021	2020
Current and other assets	\$ 1,313,491	\$ 808,848
Capital assets	1,537,195	1,106,185
Total assets	<u>2,850,686</u>	<u>1,915,033</u>
Current liabilities	181,109	153,541
Long-term liabilities	9,049,747	7,417,537
Total liabilities	<u>9,230,856</u>	<u>7,571,078</u>
Net position		
Net investment in capital assets	(219,006)	(198,301)
Restricted	424,294	270,000
Unrestricted	(6,585,458)	(5,727,744)
Total net position	<u>\$ (6,380,170)</u>	<u>\$ (5,656,045)</u>

***Harris County Municipal Utility District No. 213B
Management's Discussion and Analysis
June 30, 2021***

The total net position of the District decreased during the current fiscal year by \$724,125. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2021</u>	<u>2020</u>
Revenues		
Property taxes, penalties and interest	\$ 499,941	\$ 386,300
Other	1,344	7,254
Total revenues	<u>501,285</u>	<u>393,554</u>
Expenses		
Operating and administrative	108,574	102,450
Debt interest and fees	157,584	116,187
Developer interest	339,282	
Debt issuance costs	337,635	
Depreciation and amortization	14,956	8,207
Total expenses	<u>958,031</u>	<u>226,844</u>
Change in net position before other item	(456,746)	166,710
Other item		
Transfers to other governments	<u>(267,379)</u>	<u>(1,310,920)</u>
Change in net position	(724,125)	(1,144,210)
Net position, beginning of year	<u>(5,656,045)</u>	<u>(4,511,835)</u>
Net position, end of year	<u>\$ (6,380,170)</u>	<u>\$ (5,656,045)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2021, were \$1,280,416, which consists of \$511,076 in the General Fund, \$490,698 in the Debt Service Fund and \$278,642 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Total assets	<u>\$ 523,807</u>	<u>\$ 524,898</u>
Total liabilities	\$ 9,361	\$ 34,741
Total deferred inflows	3,370	5,733
Total fund balance	<u>511,076</u>	<u>484,424</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 523,807</u>	<u>\$ 524,898</u>

*Harris County Municipal Utility District No. 213B
Management's Discussion and Analysis
June 30, 2021*

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

	2021	2020
Total revenues	\$ 95,429	\$ 190,368
Total expenditures	(68,777)	(65,332)
Revenues over expenditures	<u>\$ 26,652</u>	<u>\$ 125,036</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. While assessed values in the District increased from the prior year, property tax revenues decreased because the District decreased the maintenance component of the levy.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of June 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	<u>\$ 511,042</u>	<u>\$ 308,800</u>
Total liabilities	\$ 6,553	\$ -
Total deferred inflows	13,791	7,453
Total fund balance	490,698	301,347
Total liabilities, deferred inflows and fund balance	<u>\$ 511,042</u>	<u>\$ 308,800</u>

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

	2021	2020
Total revenues	\$ 401,788	\$ 190,325
Total expenditures	(212,437)	(120,274)
Revenues over expenditures	<u>\$ 189,351</u>	<u>\$ 70,051</u>

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

Harris County Municipal Utility District No. 213B
Management's Discussion and Analysis
June 30, 2021

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of June 30, 2021 and 2020 is as follows:

	2021	2020
Total assets	\$ 278,642	\$ -
Total liabilities	\$ -	\$ 24,850
Total fund balance	278,642	(24,850)
Total liabilities and fund balance	\$ 278,642	\$ -

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

	2021	2020
Total revenues	\$ 92	\$ 1
Total expenditures	(3,136,600)	(24,694)
Revenues under expenditures	(3,136,508)	(24,693)
Other changes in fund balance	3,440,000	
Net change in fund balance	\$ 303,492	\$ (24,693)

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$48,312 greater than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

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

***Harris County Municipal Utility District No. 213B
Management's Discussion and Analysis
June 30, 2021***

Capital assets held by the District at June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Capital assets not being depreciated/amortized		
Land and improvements	<u>\$ 972,758</u>	<u>\$ 745,087</u>
Capital assets being depreciated/amortized		
Infrastructure	432,801	369,305
Impact fees	<u>154,799</u>	<u> </u>
	<u>587,600</u>	<u>369,305</u>
Less accumulated depreciation/amortization		
Infrastructure	(17,825)	(8,207)
Impact fees	<u>(5,338)</u>	<u> </u>
	<u>(23,163)</u>	<u>(8,207)</u>
Depreciable capital assets, net	<u>564,437</u>	<u>361,098</u>
Capital assets, net	<u>\$ 1,537,195</u>	<u>\$ 1,106,185</u>

Capital asset additions during the current year include clearing and grubbing to serve Goose Creek Landing detention pond and impact fees paid to the City of Baytown.

Additionally, certain capital assets constructed by the District are conveyed to the City of Baytown. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developers are reimbursed. For the year ended June 30, 2021, the District reported transfers to other governments in the amount of \$267,379 for adjustments to the value of projects completed in previous fiscal years. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of June 30, 2021, the District owes approximately \$2,594,747 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developers are reimbursed.

At June 30, 2021 and 2020, the District had total bonded debt outstanding as shown below:

<u>Series</u>	<u>2021</u>	<u>2020</u>
2019	\$ 3,100,000	\$ 3,180,000
2020	<u>3,440,000</u>	<u> </u>
	<u>\$ 6,540,000</u>	<u>\$ 3,180,000</u>

***Harris County Municipal Utility District No. 213B
Management's Discussion and Analysis
June 30, 2021***

During the current year, the District issued \$3,440,000 in unlimited tax bonds. At June 30, 2021, the District had \$14,726,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$11,530,000 for road improvements. The aforementioned debt authorizations include an amount not in excess of one and one-half times the amount of bonds or other evidences of indebtedness issued by the District for refunding purposes for each debt authorization.

Next Year's Budget

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

	<u>2021 Actual</u>	<u>2022 Budget</u>
Total revenues	\$ 95,429	\$ 96,400
Total expenditures	<u>(68,777)</u>	<u>(109,040)</u>
Revenues over/(under) expenditure	26,652	(12,640)
Beginning fund balance	<u>484,424</u>	<u>511,076</u>
Ending fund balance	<u>\$ 511,076</u>	<u>\$ 498,436</u>

Property Taxes

The District's property tax base increased approximately \$12,410,000 for the 2021 tax year from \$61,862,405 to \$74,272,288. This increase was primarily due to new construction in the District and increased property values. For the 2021 tax year, the District will levy a maintenance tax rate of \$0.15 per \$100 of assessed value and a debt service tax rate of \$0.65 per \$100 of assessed value, for a total combined tax rate of \$0.80 per \$100 of assessed value. These are the same rates levied for the 2020 tax year.

(This page intentionally left blank)

Basic Financial Statements

Harris County Municipal Utility District No. 213B
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 515,596	\$ 221,883	\$ 278,642	\$1,016,121	\$ -	\$ 1,016,121
Investments		280,000		280,000		280,000
Taxes receivable	3,370	13,791		17,161		17,161
Internal balances	4,841	(4,841)				
Other receivables		209		209		209
Capital assets not being depreciated					972,758	972,758
Capital assets, net					564,437	564,437
Total Assets	\$ 523,807	\$ 511,042	\$ 278,642	\$1,313,491	1,537,195	2,850,686
Liabilities						
Accounts payable	\$ 9,361	\$ -	\$ -	\$ 9,361		9,361
Accrued interest payable		6,553		6,553	80,195	86,748
Due to developers					2,594,747	2,594,747
Long-term debt						
Due within one year					85,000	85,000
Due after one year					6,455,000	6,455,000
Total Liabilities	9,361	6,553		15,914	9,214,942	9,230,856
Deferred Inflows of Resources						
Deferred property taxes	3,370	13,791		17,161	(17,161)	
Fund Balance/Net Position						
Fund Balance						
Restricted		490,698	278,642	769,340	(769,340)	
Unassigned	511,076			511,076	(511,076)	
Total Fund Balances	511,076	490,698	278,642	1,280,416	(1,280,416)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 523,807	\$ 511,042	\$ 278,642	\$1,313,491		
Net Position						
Net investment in capital assets					(219,006)	(219,006)
Restricted for debt service					424,294	424,294
Unrestricted					(6,585,458)	(6,585,458)
Total Net Position					\$(6,380,170)	\$(6,380,170)

See notes to basic financial statements.

Harris County Municipal Utility District No. 213B

**Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2021**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 95,088	\$ 396,217	\$ -	\$ 491,305	\$ 3,458	\$ 494,763
Penalties and interest		4,660		4,660	518	5,178
Investment earnings	341	911	92	1,344		1,344
Total Revenues	95,429	401,788	92	497,309	3,976	501,285
Expenditures/Expenses						
Operating and administrative						
Professional fees	40,744			40,744		40,744
Contracted services	13,008	13,699		26,707		26,707
Repairs and maintenance	2,640		23,473	26,113		26,113
Utilities	2,873			2,873		2,873
Administrative	9,382	821		10,203		10,203
Other	130	1,729	75	1,934		1,934
Capital outlay			2,436,135	2,436,135	(2,436,135)	
Debt service						
Principal		80,000		80,000	(80,000)	
Interest and fees		116,188		116,188	41,396	157,584
Developer interest			339,282	339,282		339,282
Debt issuance costs			337,635	337,635		337,635
Depreciation and amortization					14,956	14,956
Total Expenditures/Expenses	68,777	212,437	3,136,600	3,417,814	(2,459,783)	958,031
Revenues Over/(Under) Expenditures/Expenses	26,652	189,351	(3,136,508)	(2,920,505)	2,463,759	(456,746)
Other Financing Sources						
Proceeds from sale of bonds			3,440,000	3,440,000	(3,440,000)	
Other Items						
Transfers to other governments					(267,379)	(267,379)
Net Change in Fund Balances	26,652	189,351	303,492	519,495	(519,495)	
Change in Net Position					(724,125)	(724,125)
Fund Balances/Net Position						
Beginning of the year	484,424	301,347	(24,850)	760,921	(6,416,966)	(5,656,045)
End of the year	\$ 511,076	\$ 490,698	\$ 278,642	\$1,280,416	\$(7,660,586)	\$(6,380,170)

See notes to basic financial statements.

(This page intentionally left blank)

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Harris County Municipal Utility District No. 213B (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of created by House Bill 3925, 83rd Legislature of the State of Texas, Regular Session, codified at Chapter 8479, Texas Special District Local Laws Code effective September 1, 2013, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on February 28, 2014 and the first bonds were issued on March 27, 2019.

The District’s primary activities include construction of water, sewer and drainage facilities. As further discussed in Note 10, the District transfers these facilities (with the exception of defined detention tracts, defined temporary wastewater systems and defined stormwater detention systems) to the City of Baytown upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At June 30, 2021, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of a stormwater pump station and impact fees, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	45 years
Impact fees	Remaining life of contract

The District’s detention facilities are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Harris County Municipal Utility District No. 213B
Notes to Financial Statements
June 30, 2021

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		\$ 1,280,416
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental		
Historical cost	\$ 1,560,358	
Less accumulated depreciation/amortization	<u>(23,163)</u>	
Change due to capital assets		1,537,195
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(6,540,000)	
Interest payable on bonds	<u>(80,195)</u>	
Change due to long-term debt		(6,620,195)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .		(2,594,747)
Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		17,161
Total net position - governmental activities		<u><u>\$ (6,380,170)</u></u>

Harris County Municipal Utility District No. 213B
Notes to Financial Statements
June 30, 2021

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

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

Net change in fund balances - total governmental funds	\$	519,495
--	----	---------

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

	3,976
--	-------

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, impact fees paid to the City of Baytown are capitalized and charged to expense over the remaining life of the contract. Other assets are recorded as transfers to other

Capital outlays	\$ 2,436,135	
Transfers to other governments	(267,379)	
Depreciation/amortization expense	<u>(14,956)</u>	
		2,153,800

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

Issuance of long-term debt	(3,440,000)	
Principal payments	80,000	
Interest expense accrual	<u>(41,396)</u>	
		(3,401,396)

Change in net position of governmental activities	<u>\$</u>	<u>(724,125)</u>
---	-----------	------------------

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

As of June 30, 2021, the District’s investments consist entirely of a \$280,000 certificate of deposit in the Debt Service Fund, which is reported at cost.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at June 30, 2021, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 4,841	Maintenance tax collections not remitted as of year end

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

Harris County Municipal Utility District No. 213B
Notes to Financial Statements
June 30, 2021

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended June 30, 2021, is as follows:

	<u>Beginning Balances</u>	<u>Additions/ Adjustments</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	\$ 745,087	\$ 227,671	\$ 972,758
Capital assets being depreciated/amortized			
Infrastructure	369,305	63,496	432,801
Impact fees		154,799	154,799
	<u>369,305</u>	<u>218,295</u>	<u>587,600</u>
Less accumulated depreciation/amortization			
Infrastructure	(8,207)	(9,618)	(17,825)
Impact fees		(5,338)	(5,338)
	<u>(8,207)</u>	<u>(14,956)</u>	<u>(23,163)</u>
Subtotal depreciable capital assets, net	<u>361,098</u>	<u>203,339</u>	<u>564,437</u>
Capital assets, total	<u>\$ 1,106,185</u>	<u>\$ 431,010</u>	<u>\$ 1,537,195</u>

Depreciation/amortization expense for the current year was \$14,956.

Note 6 – Due to Developers

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

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

Due to developers, beginning of year	\$ 4,317,537
Developer reimbursements	(2,436,135)
Developer funded construction and adjustments	713,345
Due to developers, end of year	<u>\$ 2,594,747</u>

Harris County Municipal Utility District No. 213B
Notes to Financial Statements
June 30, 2021

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u>\$ 6,540,000</u>
Due within one year	<u>\$ 85,000</u>

The District’s bonds payable at June 30, 2021, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2019	\$ 3,100,000	\$ 3,180,000	2.00% - 4.00%	March 1, 2021 - 2043	September 1, March 1	March 1, 2027
2020	3,440,000	3,440,000	2.00% - 4.00%	September 1, 2022 - 2044	September 1, March 1	September 1, 2028
	<u>\$ 6,540,000</u>					

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

At June 30, 2021, the District had authorized but unissued bonds in the amount of \$14,726,000 for water, sewer and drainage facilities and \$11,530,000 for road facilities. The aforementioned debt authorizations include an amount not in excess of one and one-half times the amount of bonds or other evidences of indebtedness issued by the District for refunding purposes for each debt authorization.

On December 29, 2020, the District issued its \$3,440,000 Series 2020 Unlimited Tax Bonds at a net effective interest rate of 2.465712%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and impact fees paid to the City of Baytown.

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

Bonds payable, beginning of year	\$ 3,180,000
Bonds issued	3,440,000
Bonds retired	(80,000)
Bonds payable, end of year	<u>\$ 6,540,000</u>

Harris County Municipal Utility District No. 213B
Notes to Financial Statements
June 30, 2021

Note 7 – Long-Term Debt (continued)

As of June 30, 2021, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2022	\$ 85,000	\$ 218,350	\$ 303,350
2023	180,000	193,387	373,387
2024	185,000	187,988	372,988
2025	195,000	181,886	376,886
2026	200,000	174,986	374,986
2027	210,000	167,888	377,888
2028	220,000	160,438	380,438
2029	230,000	152,362	382,362
2030	240,000	144,982	384,982
2031	250,000	138,332	388,332
2032	265,000	131,406	396,406
2033	275,000	123,862	398,862
2034	290,000	115,812	405,812
2035	300,000	107,425	407,425
2036	315,000	98,750	413,750
2037	330,000	89,350	419,350
2038	345,000	79,606	424,606
2039	360,000	69,326	429,326
2040	375,000	58,468	433,468
2041	390,000	46,594	436,594
2042	410,000	34,294	444,294
2043	430,000	21,369	451,369
2044	225,000	7,819	232,819
2045	235,000	2,644	237,644
	\$ 6,540,000	\$ 2,707,324	\$ 9,247,324

Note 8 – Property Taxes

On November 4, 2014, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.25 per \$100 of assessed value and \$1.25 per \$100 of assessed value for the maintenance of roads. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Harris County Municipal Utility District No. 213B
Notes to Financial Statements
June 30, 2021

Note 8 – Property Taxes (continued)

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2021 fiscal year was financed through the 2020 tax levy, pursuant to which the District levied property taxes of \$0.80 per \$100 of assessed value, of which \$0.15 was allocated to maintenance and operations and \$0.65 was allocated to debt service. The resulting tax levy was \$494,899 on the adjusted taxable value of \$61,862,405.

Property taxes receivable, at June 30, 2021, consisted of the following:

Current year taxes receivable	\$ 13,092
Prior years taxes receivable	1,831
	<u>14,923</u>
Penalty and interest receivable	2,238
Property taxes receivable	<u>\$ 17,161</u>

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Baytown (the “City”), the District transfers all of its water, sewer, drainage and road facilities (with the exception of defined detention tracts) to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developers are subsequently reimbursed. For the year ended June 30, 2021, the District reported transfers to other governments in the amount of \$267,379 for adjustments to the value of projects completed in previous fiscal years.

Note 10 – Utility Agreement with the City of Baytown

On September 10, 2015, the District entered into a utility agreement with the City of Baytown (the “City”) for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District. The District agrees to construct various water distribution lines, sanitary sewer collection systems and drainage facilities. As the system is acquired or constructed, the District shall transfer the system to the City (with the exception of defined detention tracts) and the City will own, operate and maintain the facilities at its own expense. The term of the agreement is 35 years.

Water and sewer rates charged by the City to users in the District, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(This page intentionally left blank)

Required Supplementary Information

Harris County Municipal Utility District No. 213B
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 214,000	\$ 90,235	\$ 95,088	\$ 4,853
Investment earnings	1,000	1,000	341	(659)
Total Revenues	215,000	91,235	95,429	4,194
Expenditures				
Operating and administrative				
Professional fees	48,000	48,000	40,744	7,256
Contracted services	22,900	22,900	13,008	9,892
Repairs and maintenance		27,800	2,640	25,160
Utilities	3,000	3,000	2,873	127
Administrative	10,945	10,945	9,382	1,563
Other	250	250	130	120
Total Expenditures	85,095	112,895	68,777	44,118
Revenues Over/(Under) Expenditures	129,905	(21,660)	26,652	48,312
Fund Balance				
Beginning of the year	484,424	484,424	484,424	
End of the year	\$ 614,329	\$ 462,764	\$ 511,076	\$ 48,312

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

(This page intentionally left blank)

Texas Supplementary Information

Harris County Municipal Utility District No. 213B

TSI-1. Services and Rates

June 30, 2021

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

- Retail Water Wholesale Water Solid Waste/Garbage Drainage
 Retail Wastewater Wholesale Wastewater Flood Control Irrigation
 Parks/Recreation Fire Protection Roads Security
 Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
 Other (Specify): Water and sewer services provided by the City of Baytown

2. Retail Service Providers N/A

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate (Y / N)</u>	<u>Rate per 1,000 Gallons Over Minimum Usage</u>	<u>Usage Levels</u>
Water:	_____	_____	_____	_____	_____ to _____
Wastewater:	_____	_____	_____	_____	_____ to _____
Surcharge:	_____	_____	_____	_____	_____ to _____

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

Harris County Municipal Utility District No. 213B
TSI-1. Services and Rates
June 30, 2021

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

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

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

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes No

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

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

City(ies) in which the District is located: City of Baytown

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

Entirely Partly Not at all

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditors' report.

*Harris County Municipal Utility District No. 213B
 TSI-2 General Fund Expenditures
 For the Year Ended June 30, 2021*

Professional fees		
Legal	\$	24,315
Audit		9,000
Engineering		7,429
		<u>40,744</u>
Contracted services		
Bookkeeping		10,258
Operator		2,750
		<u>13,008</u>
Repairs and maintenance		<u>2,640</u>
Utilities		<u>2,873</u>
Administrative		
Directors fees		3,900
Insurance		5,184
Other		298
		<u>9,382</u>
Other		<u>130</u>
Total expenditures	\$	<u><u>68,777</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	16,661 kWh	\$ 2,611
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Harris County Municipal Utility District No. 213B

TSI-3. Investments

June 30, 2021

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Interest Receivable</u>
Debt Service				
Certificate of deposit	0.20%	08/20/21	\$ 280,000	\$ 199

See accompanying auditors' report.

Harris County Municipal Utility District No. 213B
TSI-4. Taxes Levied and Receivable
June 30, 2021

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 5,733	\$ 5,733	\$ 11,466	
Adjustments to Prior Year Tax Levy	(69)	(68)	(137)	
Adjusted Receivable	5,664	5,665	11,329	
2020 Original Tax Levy	87,956	381,145	469,101	
Adjustments	4,837	20,961	25,798	
Adjusted Tax Levy	92,793	402,106	494,899	
Total to be accounted for	98,457	407,771	506,228	
Tax collections:				
Current year	90,339	391,468	481,807	
Prior years	4,748	4,750	9,498	
Total Collections	95,087	396,218	491,305	
Taxes Receivable, End of Year	\$ 3,370	\$ 11,553	\$ 14,923	
Taxes Receivable, By Years				
2020	\$ 2,454	\$ 10,638	\$ 13,092	
2019	916	915	1,831	
Taxes Receivable, End of Year	\$ 3,370	\$ 11,553	\$ 14,923	
	2020	2019	2018	2017
Property Valuations:				
Land	\$ 18,637,480	\$ 16,538,393	\$ 10,640,483	\$ 6,100,768
Improvements	44,350,985	32,194,537	22,552,731	11,963,802
Personal Property	753,089	421,460	347,400	254,411
Exemptions	(1,879,149)	(1,410,620)	(533,718)	(191,398)
Total Property Valuations	\$ 61,862,405	\$ 47,743,770	\$ 33,006,896	\$ 18,127,583
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.15	\$ 0.40	\$ 0.80	\$ 0.80
Debt service tax rates	0.65	0.40		
Total Tax Rates per \$100 Valuation	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.80
Adjusted Tax Levy:	\$ 494,899	\$ 381,950	\$ 264,055	\$ 145,021
Percentage of Taxes Collected to Taxes Levied **	97.35%	99.52%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.25 on November 4, 2014

* Maximum Road Maintenance Tax Rate Approved by Voters: \$1.25 on November 4, 2014

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

See accompanying auditors' report.

Harris County Municipal Utility District No. 213B
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due March 1	Interest Due March 1, September 1	Total
2022	\$ 85,000	\$ 113,038	\$ 198,038
2023	90,000	110,487	200,487
2024	95,000	107,788	202,788
2025	100,000	104,936	204,936
2026	100,000	101,936	201,936
2027	105,000	98,938	203,938
2028	110,000	95,788	205,788
2029	115,000	92,212	207,212
2030	120,000	88,332	208,332
2031	125,000	84,132	209,132
2032	135,000	79,756	214,756
2033	140,000	74,862	214,862
2034	145,000	69,612	214,612
2035	150,000	64,175	214,175
2036	160,000	58,550	218,550
2037	165,000	52,350	217,350
2038	175,000	45,956	220,956
2039	180,000	39,176	219,176
2040	190,000	32,200	222,200
2041	195,000	24,600	219,600
2042	205,000	16,800	221,800
2043	215,000	8,600	223,600
	<u>\$ 3,100,000</u>	<u>\$ 1,564,224</u>	<u>\$ 4,664,224</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 213B
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2022	\$ -	\$ 105,312	\$ 105,312
2023	90,000	82,900	172,900
2024	90,000	80,200	170,200
2025	95,000	76,950	171,950
2026	100,000	73,050	173,050
2027	105,000	68,950	173,950
2028	110,000	64,650	174,650
2029	115,000	60,150	175,150
2030	120,000	56,650	176,650
2031	125,000	54,200	179,200
2032	130,000	51,650	181,650
2033	135,000	49,000	184,000
2034	145,000	46,200	191,200
2035	150,000	43,250	193,250
2036	155,000	40,200	195,200
2037	165,000	37,000	202,000
2038	170,000	33,650	203,650
2039	180,000	30,150	210,150
2040	185,000	26,268	211,268
2041	195,000	21,994	216,994
2042	205,000	17,494	222,494
2043	215,000	12,769	227,769
2044	225,000	7,819	232,819
2045	235,000	2,644	237,644
	<u>\$ 3,440,000</u>	<u>\$ 1,143,100</u>	<u>\$ 4,583,100</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 213B
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
June 30, 2021

Due During Fiscal Years Ending	Principal Due March 1, September 1	Interest Due March 1, September 1	Total
2022	\$ 85,000	\$ 218,350	\$ 303,350
2023	180,000	193,387	373,387
2024	185,000	187,988	372,988
2025	195,000	181,886	376,886
2026	200,000	174,986	374,986
2027	210,000	167,888	377,888
2028	220,000	160,438	380,438
2029	230,000	152,362	382,362
2030	240,000	144,982	384,982
2031	250,000	138,332	388,332
2032	265,000	131,406	396,406
2033	275,000	123,862	398,862
2034	290,000	115,812	405,812
2035	300,000	107,425	407,425
2036	315,000	98,750	413,750
2037	330,000	89,350	419,350
2038	345,000	79,606	424,606
2039	360,000	69,326	429,326
2040	375,000	58,468	433,468
2041	390,000	46,594	436,594
2042	410,000	34,294	444,294
2043	430,000	21,369	451,369
2044	225,000	7,819	232,819
2045	235,000	2,644	237,644
	<u>\$ 6,540,000</u>	<u>\$ 2,707,324</u>	<u>\$ 9,247,324</u>

See accompanying auditors' report.

Harris County Municipal Utility District No. 213B
TSI-6. Change in Long-Term Bonded Debt
June 30, 2021

	Bond Issue		Totals
	Series 2019	Series 2020	
Interest rate	3.00% - 4.00%	2.00% - 4.00%	
Dates interest payable	9/1; 3/1	9/1; 3/1	
Maturity dates	3/1/21 - 3/1/43	9/1/22 - 9/1/44	
Beginning bonds outstanding	\$ 3,180,000	\$ -	\$ 3,180,000
Bonds issued		3,440,000	3,440,000
Bonds retired	(80,000)		(80,000)
Ending bonds outstanding	<u>\$ 3,100,000</u>	<u>\$ 3,440,000</u>	<u>\$ 6,540,000</u>
Interest paid during fiscal year	<u>\$ 115,438</u>	<u>\$ -</u>	<u>\$ 115,438</u>
Paying agent's name and city All Series	<u>The Bank of New York Mellon Trust Company, N. A.</u>		

Bond Authority:	Water, Sewer and	
	Drainage Bonds	Road Bonds
Amount Authorized by Voters	\$ 21,346,000	\$ 11,530,000
Amount Issued	(6,620,000)	
Remaining To Be Issued	<u>\$ 14,726,000</u>	<u>\$ 11,530,000</u>

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

Debt Service Fund cash and investment balances as of June 30, 2021:	<u>\$ 501,883</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:	<u>\$ 385,305</u>

See accompanying auditors' report.

(This page intentionally left blank)

Harris County Municipal Utility District No. 213B
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2021	2020	2019	2018**	2017**
Revenues					
Property taxes	\$ 95,088	\$ 187,330	\$ 268,106	\$ 138,920	\$ 32,163
Penalties and interest			2,795	678	
Miscellaneous			10	20	4,846
Investment earnings	341	3,038	1,880	176	5
Total Revenues	95,429	190,368	272,791	139,794	37,014
Expenditures					
Operating and administrative					
Professional fees	40,744	38,225	25,560	23,201	17,208
Contracted services	13,008	9,834	10,987	9,214	6,553
Repairs and maintenance	2,640				
Utilities	2,873	740			
Administrative	9,382	8,114	5,073	4,647	3,613
Other	130	8,419	120	40	4,836
Total Expenditures	68,777	65,332	41,740	37,102	32,210
Revenues Over Expenditures	\$ 26,652	\$ 125,036	\$ 231,051	\$ 102,692	\$ 4,804

*Percentage is negligible

** Unaudited

See accompanying auditors' report.

Percent of Fund Total Revenues

2021	2020	2019	2018**	2017**
100%	98%	98%	100%	87%
		1%	*	
		*	*	13%
*	2%	1%	*	*
100%	100%	100%	100%	100%
43%	20%	9%	17%	46%
14%	5%	4%	7%	18%
3%				
3%	*			
10%	4%	2%	3%	10%
*	4%	*	*	13%
73%	33%	15%	27%	87%
27%	67%	85%	73%	13%

Harris County Municipal Utility District No. 213B

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Three Fiscal Years

	Amounts		
	2021	2020	2019
Revenues			
Property taxes	\$ 396,217	\$ 185,310	\$ -
Penalties and interest	4,660	800	
Investment earnings	911	4,215	1,211
Total Revenues	<u>401,788</u>	<u>190,325</u>	<u>1,211</u>
Expenditures			
Tax collection services	14,520	12,384	
Other	1,729	40	790
Debt service			
Principal	80,000		
Interest and fees	116,188	107,850	
Total Expenditures	<u>212,437</u>	<u>120,274</u>	<u>790</u>
Revenues Over Expenditures	<u>\$ 189,351</u>	<u>\$ 70,051</u>	<u>\$ 421</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues		
2021	2020	2019
99%	98%	
1%	*	
*	2%	100%
100%	100%	100%
4%	7%	
*	*	65%
20%		
29%	57%	
53%	64%	65%
47%	36%	35%

Harris County Municipal Utility District No. 213B
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended June 30, 2021

Complete District Mailing Address: 9 Greenway Plaza, Suite 1000, Houston, Texas 77046-3653
District Business Telephone Number: (713) 651-0111
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): August 4, 2020
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Juanita Orsak	05/18 - 05/22	\$ 900	\$ -	President
Mark Prause	05/18 - 05/22	1,050		Vice President
Stacy Lord	05/20 - 05/24	1,050		Secretary
Jimmy Flowers	05/20 - 05/24	900		Assistant Secretary
Vacant				Assistant Secretary
Consultants				
		Amounts Paid		
Coats Rose P.C.	2014	\$ 132,890		Attorney
L&S District Services, LLC	2016	10,212		Bookkeeper
Assessments of the Southwest, Inc.	2015	8,201		Tax Collector
Harris County Appraisal District	Legislation	3,742		Property Valuation
Coats Rose P.C.	2016	1,756		Delinquent Tax Attorney
Cobb, Fendley & Associates, Inc.	2014	55,718		Engineer
McGrath & Co., PLLC	2018	16,100		Auditor
Rathmann & Associates, L.P.	2014	70,300		Financial Advisor

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

APPENDIX C

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

