

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT INCLUDED IN THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “TAX MATTERS” HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds are NOT designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – NOT Qualified Tax-Exempt Obligations.”

**NEW ISSUE—BOOK-ENTRY ONLY**  
**CUSIP No. 41429Y**

**RATINGS: Underlying “Baa3” Moody’s**  
**Insured “AA” (stable outlook) S&P**

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

**\$8,100,000**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A**

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

**UNLIMITED TAX ROAD BONDS**

**SERIES 2023A**

**Dated: November 1, 2023**

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

Interest on the \$8,100,000 Unlimited Tax Road Bonds, Series 2023A (the “Bonds”) will accrue from November 1, 2023, and will be payable on April 1 and October 1 of each year, commencing April 1, 2024. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”

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



**MATURITIES, AMOUNTS, INTEREST RATES AND PRICES**

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$175,000	2025	7.50%	4.40%	***	***	***	***
\$180,000	2026	7.50%	4.40%	\$380,000	2040(b)	5.00%	5.16%
\$190,000	2027	7.50%	4.40%	\$400,000	2041(b)	5.00%	5.17%
\$205,000	2028	7.50%	4.40%	\$420,000	2042(b)	5.00%	5.18%
\$215,000	2029(b)	7.50%	4.45%	\$445,000	2043(b)	5.00%	5.19%
\$225,000	2030(b)	6.00%	4.50%	\$470,000	2044(b)	5.00%	5.20%
\$235,000	2031(b)	5.00%	4.60%	\$495,000	2045(b)	5.00%	5.21%
\$250,000	2032(b)	5.00%	4.70%	\$520,000	2046(b)	5.00%	5.22%
\$265,000	2033(b)	5.00%	4.80%	\$550,000	2047(b)	5.00%	5.23%
\$275,000	2034(b)	5.00%	4.90%	\$580,000	2048(b)	5.00%	5.24%

\$600,000 5.00% Term Bond Due April 1, 2036 to Yield 5.00% (a)(b)(c)

\$1,025,000 5.00% Term Bond Due April 1, 2039 to Yield 5.15% (a)(b)(c)

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2029, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on April 1, 2028, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS – Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by Harris County Municipal Utility District No. 213-A (the “District”) to: (1) reimburse the Developer (defined herein) for advancing funds to construct certain road improvements serving the District and associated land acquisition, engineering, and testing costs; (2) fund 12 months of capitalized interest on the Bonds; (3) fund developer interest related to the advancement of funds for certain construction costs; and (4) pay certain administrative costs and costs related to the issuance of the Bonds. See “USE OF BOND PROCEEDS.”

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

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Coats Rose, P.C., Houston, Texas, Bond Counsel. Certain other matters will be passed upon on behalf of the District by Allen Boone Humphries Robinson LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about November 21, 2023.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT .....	1
SALE AND DISTRIBUTION OF THE BONDS.....	1
CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12.....	2
MUNICIPAL BOND RATING .....	3
BOND INSURANCE .....	3
OFFICIAL STATEMENT SUMMARY .....	5
DEBT SERVICE REQUIREMENTS.....	9
INTRODUCTION.....	10
RISK FACTORS .....	10
USE OF BOND PROCEEDS .....	18
THE DISTRICT .....	18
THE SYSTEM .....	23
THE ROADS .....	24
MANAGEMENT OF THE DISTRICT.....	25
DISTRICT INVESTMENT POLICY .....	25
THE DEVELOPER .....	25
DISTRICT DEBT .....	27
DISTRICT TAX DATA.....	28
TAXING PROCEDURES.....	31
ANNEXATION AND CONSOLIDATION .....	35
THE BONDS .....	35
BOOK-ENTRY-ONLY SYSTEM .....	39
LEGAL MATTERS.....	40
TAX MATTERS.....	41
OFFICIAL STATEMENT .....	42
MISCELLANEOUS .....	43
AUDITED FINANCIAL STATEMENTS OF THE DISTRICT .....	A
PHOTOGRAPHS TAKEN IN THE DISTRICT.....	B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY.....	C

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering, and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046, upon payment of duplication costs.

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for any purpose.

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

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

## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.015599% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 5.274077%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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

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

### Prices and Marketability

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

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

### **Securities Laws**

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

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

In the order authorizing the issuance of the Bonds (the "Bond Order"), the District has 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 certain events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") System.

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes the quantitative financial information and operating data of the general type included in "DISTRICT DEBT" (except for "Estimated Overlapping Debt"), "DISTRICT TAX DATA," and "APPENDIX A" (Audited Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024. The District will provide the updated information to EMMA.

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

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

### **Event Notices**

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

## **Limitations and Amendments**

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

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

## **Compliance with Prior Undertakings**

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

## **MUNICIPAL BOND RATING**

In connection with the sale of the Bonds the District made application to Moody's Investors Service, Inc. ("Moody's") which assigned a rating of "Baa3" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the Moody's rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody's if in the judgment of Moody's circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

## **BOND INSURANCE**

### **Bond Insurance Policy**

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

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

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects 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 June 30, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$204.5 million and \$281.5 million, respectively.

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

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

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

#### *Additional Information Available from BAM*

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

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

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

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

## OFFICIAL STATEMENT SUMMARY

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

### **THE BONDS**

- Description:** The \$8,100,000 Unlimited Tax Road Bonds, Series 2023A (the "Bonds"), are dated November 1, 2023. The Bonds represent the fifth series of bonds to be issued by Harris County Municipal Utility District No. 213-A (the "District") and the second of such bonds to be issued for the purpose of constructing or acquiring a road system to serve the District. The Bonds mature on April 1 in the years as shown in the table on the cover page of this Official Statement. The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, Chapter 8478, Texas Special District Local Laws Code, general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Harris County, the City of Baytown, or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2029, are subject to early redemption, in whole or from time to time in part, on April 1, 2028, or on any date thereafter at the option of the District at a price of par plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2036 and 2039 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2035 and 2037, respectively. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Payment Record:** The District has previously issued three (3) series of unlimited tax bonds for the purpose of constructing or acquiring a water, sewer, and drainage system to serve the District and one (1) series of unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District, of which \$31,770,000 principal amount was outstanding as of September 1, 2023 (the "Outstanding Bonds"). The District has never defaulted in the payment of principal of or interest on the Outstanding Bonds. See "DISTRICT DEBT."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used by the District to: (1) reimburse the Developer (defined herein) for advancing funds to construct certain road improvements serving the District and associated land acquisition, engineering, and testing costs; (2) fund 12 months of capitalized interest on the Bonds; (3) fund developer interest related to the advancement of funds for certain construction costs; and (4) pay certain administrative costs and costs related to the issuance of the Bonds. See "USE OF BOND PROCEEDS."
- NOT Qualified Tax Exempt Obligations:** The Bonds are NOT designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."
- Municipal Bond Rating:** In connection with the sale of the Bonds the District made application to Moody's which assigned a rating of "Baa3" on the Bonds based upon the District's underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."
- Bond Insurance:** S&P has assigned its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."
- Legal Opinion:** Coats Rose, P.C., Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Paying Agent/Registrar."

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

## THE DISTRICT

**Description:** The District is a municipal utility district created by an Act of the 83<sup>rd</sup> Texas Legislature, Regular Session, effective on September 1, 2013, codified at Chapter 8478, Texas Special District Local Laws Code. The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52, of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the "TCEQ"). The District is located entirely within Harris County, Texas, within the extraterritorial jurisdiction of the City of Baytown, Texas (the "City"), and within Goose Creek Consolidated Independent School District. The District lies approximately 27 miles east of the central business district of the City of Houston, Texas and approximately six (6) miles north of the central business district of the City. The District lies north of Interstate Highway 10, north of Wallisville Road, and west of Hadden Road. Access to the District is provided by way of Interstate Highway 10 and Garth Road, which bisects the District.

The District, as it was originally created, included approximately 572 acres. Since the creation of the District there have been two (2) annexations totaling approximately 392 acres and no exclusions of property within the District. The District currently includes approximately 964 acres, all within the extraterritorial jurisdiction of the City. See "THE DISTRICT – Authority," "– Description and Location," and "– Vicinity Map."

**Development of the District:**

The District is being developed for predominantly single-family residential purposes in the subdivisions known as Ashbel Crossing, Wooster Crossing, Sterling Point, and Burnet Fields. The Ashbel Crossing subdivision was developed by Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, d/b/a Friendswood Development Company, a Texas limited partnership ("Lennar" or the "Developer"), and Beazer Homes Texas L.P. ("Beazer"). Lennar is the sole developer of the Wooster Crossing, Sterling Point, and Burnet Fields subdivisions. Homebuilding in the District has taken place in Ashbel Crossing, Sections 1 – 6, Wooster Crossing, Sections 1 – 4, Sterling Point, Sections 1 – 7 and 9, and Burnet Fields, Sections 1 – 3. As of September 1, 2023, the District included approximately 1,071 completed homes (approximately 1,003 of which were owner-occupied and one (1) of which was being used as a model home), approximately 268 homes under construction, and approximately 211 vacant developed lots. Additionally, approximately 129 single-family residential lots are currently under development in Sterling Point, Section 8; such lots are anticipated to be available for homebuilding during the third quarter of 2023. Land within the District is relatively flat with elevations ranging from 36 feet above mean sea level to 41 feet above mean sea level. According to the District's engineer, none of the land within the District would be subject to flooding during a hypothetical 100-year flood. See "THE DISTRICT – Status of Residential Development" and "APPENDIX B – Photographs Taken in the District."

**Summary of Land Uses:** As of September 1, 2023, the District included approximately 482 developed and improved acres, approximately 26 acres under development, approximately 401 additional developable acres, and approximately 55 undevelopable acres, which includes road rights-of-way, detention ponds, drainage easements, a lift station site, and open spaces. See "THE DISTRICT – Land Uses and Status of Land Development."

**The Developer:** The developers of the land and lots located in the Ashbel Crossing subdivision were Lennar and Beazer. Effective May 31, 2018, Lennar and Beazer entered into a Memorandum of Joint Ownership and Development Agreement (the "Development Agreement") pertaining to the land, lots, and construction costs associated with the development of the Ashbel Crossing subdivision. The Development Agreement provides that Lennar and Beazer will each have a 50% interest in the acreage in the District being developed and platted as the Ashbel Crossing subdivision. The Development Agreement provides that Lennar and Beazer each contribute 50% of the development costs and in turn receive approximately 50% of the developed lots created in the Ashbel Crossing subdivision. The Ashbel Crossing subdivision is built out and there is no development activity or active homebuilding program in such subdivision.

Lennar is the sole developer of the land and lots located in the Wooster Crossing, Sterling Point, and Burnet Fields subdivisions.

The Developer is a wholly owned subsidiary of its publicly traded parent company, Lennar Corporation, whose stock is listed on the New York Stock Exchange. As a publicly traded company, Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements, and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed



rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC. See "THE DEVELOPER."

**Homebuilders:**

The Developer is also the sole homebuilder that is currently building and marketing homes in the District. Homes in the District are currently being constructed in the Sterling Point and Burnet Fields subdivisions by Lennar on 40-foot, 45-foot, 50-foot, and 60-foot lots and are being marketed in the \$240,000 to \$365,000 price range. Previous homebuilders include Beazer, which constructed homes in the Ashbel Crossing subdivision on 50-foot and 60-foot lots and marketed homes in the \$290,000 to \$365,000 price range. See "THE DEVELOPER – Homebuilders."

**The System:**

Pursuant to a Water Supply and Waste Disposal Agreement (the "Utility Agreement") between the District and the City, water supply and wastewater treatment for the District's customers is provided by the City. The District does not own or operate any water supply or wastewater treatment facilities. However, the District is responsible for operations and maintenance of its water distribution and wastewater collection facilities beyond points of delivery from the City. The District's source of water is surface water and ground water provided by the City's water supply facilities and distributed to the District by way of a 12-inch waterline. The District's source of wastewater treatment is from a City wastewater treatment plant. The District has previously requested, and the City has provided, water supply and wastewater treatment commitments to provide capacity adequate to serve 1,679 equivalent single-family connections ("ESFCs"). The District will make reservation requests for additional water supply and wastewater treatment capacity and pay impact fees to the City on a per ESFC basis as additional sections are developed according to platted lots. The City has reserved water supply capacity within its water plants and wastewater treatment capacity within its wastewater treatment plant that is adequate to serve the ultimate build out of the District given currently anticipated development plans. Pursuant to the terms of the Utility Agreement, the City bills the District directly for water supply and wastewater treatment services and the District bills residents and customers at retail rates.

The underground storm sewer facilities serving developed portions of the District are complete. The natural course of drainage in the District flows toward Goose Creek and Cedar Bayou. Storm water is conveyed by overland flow and by the storm sewer collection system within the District. The storm sewer collection system drains runoff from the developed areas and a portion of the remaining undeveloped areas to detention facilities within the District, which outfall into roadside ditches along Wallisville Road and Garth Road, which ultimately outfalls to Goose Creek and Cedar Bayou. The Utility Agreement does not cover the detention and drainage facilities owned by the District. The District will be responsible for future maintenance of such detention and drainage facilities.

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Panel No. 48201C0755M, dated January 6, 2017, the District is not located within the 100-year flood plain. See "THE SYSTEM."

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

8/15/2023 Estimated Taxable Value	\$327,688,357	(a)
2023 Certified Taxable Value	\$214,666,921	(b)
Direct Debt:		
Outstanding Bonds (as of September 1, 2023)	\$31,770,000	
The Bonds	<u>\$8,100,000</u>	
Total Direct Debt	\$39,870,000	
See "DISTRICT DEBT"		
Estimated Overlapping Debt	<u>\$4,521,989</u>	(c)
Direct and Estimated Overlapping Debt	\$44,391,989	
Percentage of Direct Debt to:		
8/15/2023 Estimated Taxable Value	12.17%	
2023 Certified Taxable Value	18.57%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
8/15/2023 Estimated Taxable Value	13.55%	
2023 Certified Taxable Value	20.68%	
See "DISTRICT DEBT"		
2022 Tax Rate Per \$100 of Assessed Value:		
Debt Service Tax	\$0.33	
Road Debt Service Tax	\$0.19	
Maintenance Tax	<u>\$0.93</u>	
Total 2022 Tax Rate	\$1.45	(d)
Cash and Temporary Investment Balances as of September 27, 2023:		
General Fund	\$938,769	(e)
Debt Service Fund	\$394,146	(f)
Road Debt Service Fund	\$691,352	(f) (g)

- (a) Reflects data supplied by the Harris Central Appraisal District ("HCAD" or the "Appraisal District"). The Estimated Taxable Value as of August 15, 2023, was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2023 Certified Taxable Value according to data supplied to the District by HCAD, which includes \$10,520,002 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents HCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Estimated Overlapping Debt."
- (d) On October 25, 2023, the Board levied a total tax rate of \$1.43 per \$100 of assessed valuation for the 2023 tax year, with \$0.39 allocated for the debt service tax, \$0.35 allocated for the road debt service tax, and \$0.69 allocated for the maintenance tax.
- (e) Unaudited figure per the District's records. See "RISK FACTORS – Operating Funds" and "THE SYSTEM – General Fund Operating History."
- (f) Such balances take into account the October 1, 2023 debt service payment on the Outstanding Bonds. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Road Debt Service Fund or the Debt Service Fund. The cash and investment balances in the Debt Service Fund are not available to make debt service payments on the Bonds. Likewise, the cash and investment balances in the Road Debt Service Fund will not be available to make debt service payments on the District's bonds sold for water, sewer, and drainage purposes. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."
- (g) The cash and investment balance in the Road Debt Service Fund includes \$445,500 of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "USE OF BOND PROCEEDS."

**DEBT SERVICE REQUIREMENTS**

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

<u>Year</u>	<u>Outstanding Debt Service Requirements</u>	<u>Plus: Debt Service Requirements on the Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2023	\$926,826	-	-	\$926,826
2024	\$1,551,146	-	\$395,427	\$1,946,573
2025	\$2,083,263	\$175,000	\$424,813	\$2,683,075
2026	\$2,070,275	\$180,000	\$411,500	\$2,661,775
2027	\$2,081,475	\$190,000	\$397,625	\$2,669,100
2028	\$2,066,938	\$205,000	\$382,813	\$2,654,750
2029	\$2,052,513	\$215,000	\$367,063	\$2,634,575
2030	\$2,040,163	\$225,000	\$352,250	\$2,617,413
2031	\$2,037,800	\$235,000	\$339,625	\$2,612,425
2032	\$2,048,225	\$250,000	\$327,500	\$2,625,725
2033	\$2,045,175	\$265,000	\$314,625	\$2,624,800
2034	\$2,043,963	\$275,000	\$301,125	\$2,620,088
2035	\$2,045,963	\$290,000	\$287,000	\$2,622,963
2036	\$2,065,863	\$310,000	\$272,000	\$2,647,863
2037	\$2,063,663	\$325,000	\$256,125	\$2,644,788
2038	\$2,059,375	\$340,000	\$239,500	\$2,638,875
2039	\$2,062,181	\$360,000	\$222,000	\$2,644,181
2040	\$2,056,672	\$380,000	\$203,500	\$2,640,172
2041	\$2,078,034	\$400,000	\$184,000	\$2,662,034
2042	\$2,061,828	\$420,000	\$163,500	\$2,645,328
2043	\$2,068,106	\$445,000	\$141,875	\$2,654,981
2044	\$2,086,172	\$470,000	\$119,000	\$2,675,172
2045	\$2,076,244	\$495,000	\$94,875	\$2,666,119
2046	\$2,092,831	\$520,000	\$69,500	\$2,682,331
2047	\$2,084,831	\$550,000	\$42,750	\$2,677,581
2048	\$2,102,338	\$580,000	\$14,500	\$2,696,838
2049	\$1,174,375	-	-	\$1,174,375
2050	\$1,171,850	-	-	\$1,171,850
<b>TOTALS</b>	<b>\$54,398,084</b>	<b>\$8,100,000</b>	<b>\$6,324,490</b>	<b>\$68,822,574</b>

Maximum Annual Debt Service Requirements (2048)..... \$2,696,838 (a)

Requires a \$0.87 debt service tax rate on the August 15, 2023 Estimated Taxable Value of \$327,688,357  
at 95% collections..... \$2,708,344 (a)

Requires a \$1.33 debt service tax rate on the 2023 Certified Taxable Value of \$214,666,921  
at 95% collections..... \$2,712,317 (a)

(a) A certain portion of the maximum annual debt service requirement will be paid for with the District's road debt service tax rate and a certain portion will be paid for with the District's debt service tax rate (for water, sewer, and drainage purposes). See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

## OFFICIAL STATEMENT

relating to

**\$8,100,000**

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A**  
**(A political subdivision of the State of Texas located within Harris County, Texas)**

### **UNLIMITED TAX ROAD BONDS SERIES 2023A**

#### **INTRODUCTION**

This Official Statement provides certain information in connection with the issuance of the \$8,100,000 Harris County Municipal Utility District No. 213-A Unlimited Tax Road Bonds, Series 2023A (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, Chapter 8478, Texas Special District Local Laws Code, general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors (the "Board") of Harris County Municipal Utility District No. 213-A (the "District").

This Official Statement includes descriptions of the Bonds, the Bond Order, and certain information about the District and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

#### **RISK FACTORS**

##### **General**

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

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

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

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

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

##### **Marketability**

The District has no understanding (other than the initial reoffering yields) with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and

asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers as such bonds are generally bought, sold, or traded in the secondary market.

### **Tax Collections**

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be impaired by (a) repetitive, annual, expensive collection procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

### **Registered Owners' Remedies**

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

### **Bankruptcy Limitation to Registered Owners' Rights**

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

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

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

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

### **Approval of the Bonds**

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

## **Economic Factors**

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

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

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

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

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

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

## **Competition**

The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers and school districts causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels.

The competitive position of the Developer in the sale of land and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

## **Potential Effects of Oil Price Fluctuation on the Houston Area**

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

## **Dependence on Future Development and Potential Impact on District Tax Rates**

Assuming no further construction of single-family residential or other improvements within the District other than those that have been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the District's Maximum Annual Debt Service Requirement will be \$2,696,838 (2048). Assuming no increase or decrease from the August 15, 2023 Estimated Taxable Value of \$327,688,357, and no use of other District funds, a combined debt service tax rate and road debt service tax rate of \$0.87 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. Assuming no increase or decrease from the 2023 Certified Taxable Value of \$214,666,921, which includes \$10,520,002 of uncertified taxable value that represents

HCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest, and no use of other District funds, a combined debt service tax rate and road debt service tax rate of \$1.33 per \$100 of assessed valuation at 95% collection would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

**Operating Funds**

As noted elsewhere in this Official Statement, the District does not own or operate the water supply and wastewater treatment facilities serving the District. The District receives wholesale water and wastewater service from the City. However, the District does own and operate the water distribution and wastewater collection facilities beyond points of delivery by the City. The City bills the District directly for water supply and wastewater treatment services and the District bills residents and customers at retail rates pursuant to the terms of the Utility Agreement. The revenues derived from the difference between the retail rates paid by the residents and customers to the District and the wholesale rates paid by the District to the City are used by the District to, in part, pay operations and maintenance expenses associated with the District's water distribution and wastewater collection facilities.

The District set a 2022 operations and maintenance tax rate in the amount of \$0.93 per \$100 of assessed valuation. The revenue produced from the operations and maintenance tax must be sufficient to offset the share of the District's operating expenses that are not covered by revenues derived from water and wastewater services and other related revenue sources. The District's 2022 operations and maintenance tax levy amount was approximately \$1,011,726, which was deposited into the District's General Fund. The District's unaudited cash and investment balance in the General Fund as of September 27, 2023, was \$938,769. For the fiscal year ending April 30, 2024, the District's General Fund is currently budgeting operating expenses of \$2,348,500. Continued maintenance of a positive General Fund balance will depend upon: (i) operating advances from the Developer from time to time, which may be reimbursed from proceeds of future bonds, and (ii) development and increased amounts of water and wastewater revenues and maintenance tax revenue. Upon request from the District from time to time, the Developer has made operating advances to the District's General Fund, and such advances have been made on time and in full. If its General Fund balance is depleted, then the District will be required to levy an operations and maintenance tax at a rate sufficient to fund operating expenses as previously described. Such a tax, when added to the District's debt service tax, may result in a total District tax which could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. The District expects that it will be able to maintain a total tax rate of \$1.45 per \$100 of assessed valuation or less for the 2023 tax year subsequent to the sale of the Bonds. The Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. The District is not currently budgeting, nor anticipating the need for, any operating advances for the foreseeable future. See "THE SYSTEM – General Fund Operating History."

**Landowners/Developers Under No Obligation to the District**

The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, neither the Developer nor any other landowner within the District have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developer's) to sell its land. Failure to construct taxable improvements on developed lots (currently existing lots or lots anticipated to be created by the Developer) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District as it has in the past. The District is also dependent upon certain principal taxpayers, including the Developer, for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

**Principal Landowners' Obligations to the District**

The District's tax base is, to a certain extent, concentrated in a small number of taxpayers. Based on the District's 2023 certified tax roll, the District's ten (10) largest taxpayers represent approximately \$52,081,109 of taxable value or approximately 25.51% of the District's 2023 certified tax roll. The District's principal taxpayers include the Developer and Beazer, their related homebuilding entities, and a land banker for the Developer, which collectively represent approximately \$49,421,088 of taxable value or approximately 24.21% of the District's 2023 certified tax roll. See "DISTRICT TAX DATA – Principal Taxpayers." The District cannot represent that its tax base will in the future be: (i) distributed among a significantly larger number of taxpayers, or (ii) less concentrated in property owned by a relatively small number of property owners, than it is currently. Failure by one or more of the District's principal property owners to make full and timely payments of taxes due may have an adverse effect on the investment quality or security of the Bonds. If any one or more of the principal taxpayers did not pay taxes due, the District might need to increase its debt service tax rate to meet its debt service requirements.

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 proposed District tax rate or to justify continued payment of taxes by property owners.

**Future Debt**

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

<b><u>Amount</u></b>	<b><u>Purpose</u></b>
\$194,323,000	For certain water, wastewater, and drainage facilities and for refunding
\$141,690,000	For certain road facilities and for refunding
\$17,626,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have \$174,953,000 of unlimited tax water, wastewater, and drainage facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, \$121,190,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and \$17,626,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, 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) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Generally, the Board of Directors has indicated that, in the future, new money bonds will be issued in amounts and in timeframes depending upon: (i) the rate of growth of taxable improvements in the District, and (ii) the District's ability to maintain a total tax rate of \$1.45 per \$100 of assessed valuation or less. See "THE BONDS – Issuance of Additional Debt.

### **Financing Road Facilities**

The District is authorized to develop road facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue road bonds payable from taxes, approval of the bonds by the Attorney General of Texas is required. When the District does issue road bonds, the outstanding principal amount of such bonds may not exceed an amount equal to twenty-five percent of the assessed value of real property in the District. The District conducted a road bond election that authorized \$141,690,000 of road bonds at an election held on May 5, 2018, of which \$121,190,000 will remain authorized but unissued after the issuance of the Bonds.

### **Financing Parks and Recreational Facilities**

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District can issue park bonds payable from taxes, the following actions are required: (a) approval of the park project and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District, unless the District meets certain financial feasibility requirements under Chapter 49 of the Texas Water Code and 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 conducted a park and recreational facilities bond election that authorized \$17,626,000 of parks and recreational facilities bonds at an election held on May 5, 2018, all of which remain authorized but unissued.

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

### **Continuing Compliance with Certain Covenants**

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

### **Environmental Regulations**

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

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

Sanctions against a 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 two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. 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 “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. 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, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

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

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

### **Bond Insurance Risk Factors**

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

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

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

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

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

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

### **Changes in Tax Legislation**

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

### **Severe Weather**

The District is located approximately 30 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

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

### **Winter Storm Uri**

From February 12-19, 2021, the State of Texas experienced a severe winter storm (“Winter Storm Uri”) which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri. As noted elsewhere in this Official Statement, the District does not operate any water supply or wastewater treatment facilities. According to the District’s Operator, the District experienced no interruptions of water or wastewater service from the City as a result of Winter Storm Uri. The District cannot predict the impact of future winter weather events.

### **Specific Flood Type Risks**

The District may be subject to the following flood risks:

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

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

*Coastal (or Storm Surge) Flooding* – 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.

### **Temporary Tax Exemption for Property Damaged by Disaster**

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

### **Tax Payment Installments**

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

### **Atlas 14**

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

**USE OF BOND PROCEEDS**

Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer for advancing funds to construct certain road improvements serving the District and associated land acquisition, engineering, and testing costs; (2) fund 12 months of capitalized interest on the Bonds; (3) fund developer interest related to the advancement of funds for certain construction costs; and (4) pay certain administrative costs and costs related to the issuance of the Bonds.

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

<b>CONSTRUCTION COSTS</b>	<b>Total Amount</b>
<b><i>Developer Contribution Items</i></b>	
Sterling Point, Section 1 – Paving	\$1,410,101
Sterling Point, Section 2 – Paving	\$842,830
Sterling Point, Section 3 – Paving	\$624,495
Burnet Fields, Section 1 – Paving	\$991,367
Burnet Fields, Section 2 – Paving	\$769,889
Burnet Fields, Section 3 – Paving	\$240,054
Engineering and Materials Testing	\$615,982
<b><i>Total Developer Contribution Items</i></b>	<b>\$5,494,718</b>
<b><i>District Items</i></b>	
Land Acquisition Costs	\$998,696
<b><i>Total District Items</i></b>	<b>\$998,696</b>
<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$6,493,414 (a)</b>
<b><u>NON-CONSTRUCTION COSTS</u></b>	
Legal Fees	\$202,000
Fiscal Agent Fees	\$162,000
Interest Costs:	
Developer Interest	\$475,501
Capitalized Interest	\$445,500
Bond Discount	\$241,736
Bond Issuance Expenses	\$54,985
Bond Engineering Report	\$15,500
Attorney General's Fee	\$8,100
Contingency	\$1,264 (b)
<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$1,606,586</b>
<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$8,100,000</b>

(a) Reimbursement of eligible road improvement costs is made pursuant to Section 8478, Texas Special District Local Laws Code, and Chapter 49, Texas Water Code. The TCEQ has not established rules regarding district reimbursement of road costs to developers. The District has engaged its independent auditor to perform certain agreed upon procedures on the Developer's documentation of the payments of eligible road improvement costs.

(b) Represents the difference between the estimated and actual amount of Bond discount. Such funds will be used by the District for eligible road-related costs only after approval by the Board of Directors.

**THE DISTRICT**

**Authority**

The District is a municipal utility district created by an Act of the 83<sup>rd</sup> Texas Legislature, Regular Session, effective on September 1, 2013, codified at Chapter 8478, Texas Special District Local Laws Code. The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52, of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District was created with certain road powers.

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

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of the City, within whose extraterritorial jurisdiction the District lies, to the District's creation, the District has agreed to observe certain City

requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, and drainage facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications.

**Description and Location**

The District, as it was originally created, included approximately 572 acres. Since the creation of the District, there have been two (2) annexations totaling approximately 392 acres and no exclusions of property within the District. The District currently includes approximately 964 acres, all within the extraterritorial jurisdiction of the City, and within Goose Creek Consolidated Independent School District. The District lies approximately 27 miles east of the central business district of the City of Houston, Texas and approximately six (6) miles north of the central business district of the City. The District lies north of Interstate Highway 10, north of Wallisville Road, and west of Hadden Road. Access to the District is provided by way of Interstate Highway 10 and Garth Road, which bisects the District. The District is being developed for predominantly single-family residential purposes in the subdivisions known as Ashbel Crossing, Wooster Crossing, Sterling Point, and Burnet Fields.

The Ashbel Crossing subdivision was developed by Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, d/b/a Friendswood Development Company, a Texas limited partnership ("Lennar" or the "Developer"), and Beazer Homes Texas L.P. ("Beazer"). Lennar is the sole developer of the Wooster Crossing, Sterling Point, and Burnet Fields subdivisions. Land within the District is relatively flat with elevations ranging from 36 feet above mean sea level to 41 feet above mean sea level. According to the Engineer, none of the land within the District would be subject to flooding during a hypothetical 100-year flood. See "THE SYSTEM – 100-Year Flood Plain."

**Land Uses and Status of Land Development**

A summary of the approximate land use in the District as of September 1, 2023, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Developed and Improved Acres (a)	482
Acres Under Development (b)	26
Additional Developable Acreage (c)	401
Undevelopable Acreage (d)	<u>55</u>
<b>Total Approximate Acres</b>	<b>964</b>

- (a) Represents the developable acres located in Ashbel Crossing, Sections 1 – 6, Wooster Crossing, Sections 1 – 4, Sterling Point, Sections 1 – 7 and 9, and Burnet Fields, Sections 1 – 3. See "– Status of Residential Development" herein.
- (b) Represents the developable acres located in Sterling Point, Section 8, which is currently under development and expected to contain 129 single-family residential lots. The lots in Sterling Point, Section 8 are anticipated to be available for homebuilding during the third quarter of 2023.
- (c) Represents land available for future development within the District; such acreage includes land that may be used for road rights-of-way, detention ponds, drainage easements, open spaces, or other undevelopable acres. The District makes no representation that the development of such acreage will ever be undertaken. See "THE DEVELOPER – Future Development."
- (d) Includes road rights-of-way, detention ponds, drainage easements, a lift station site, and open spaces.

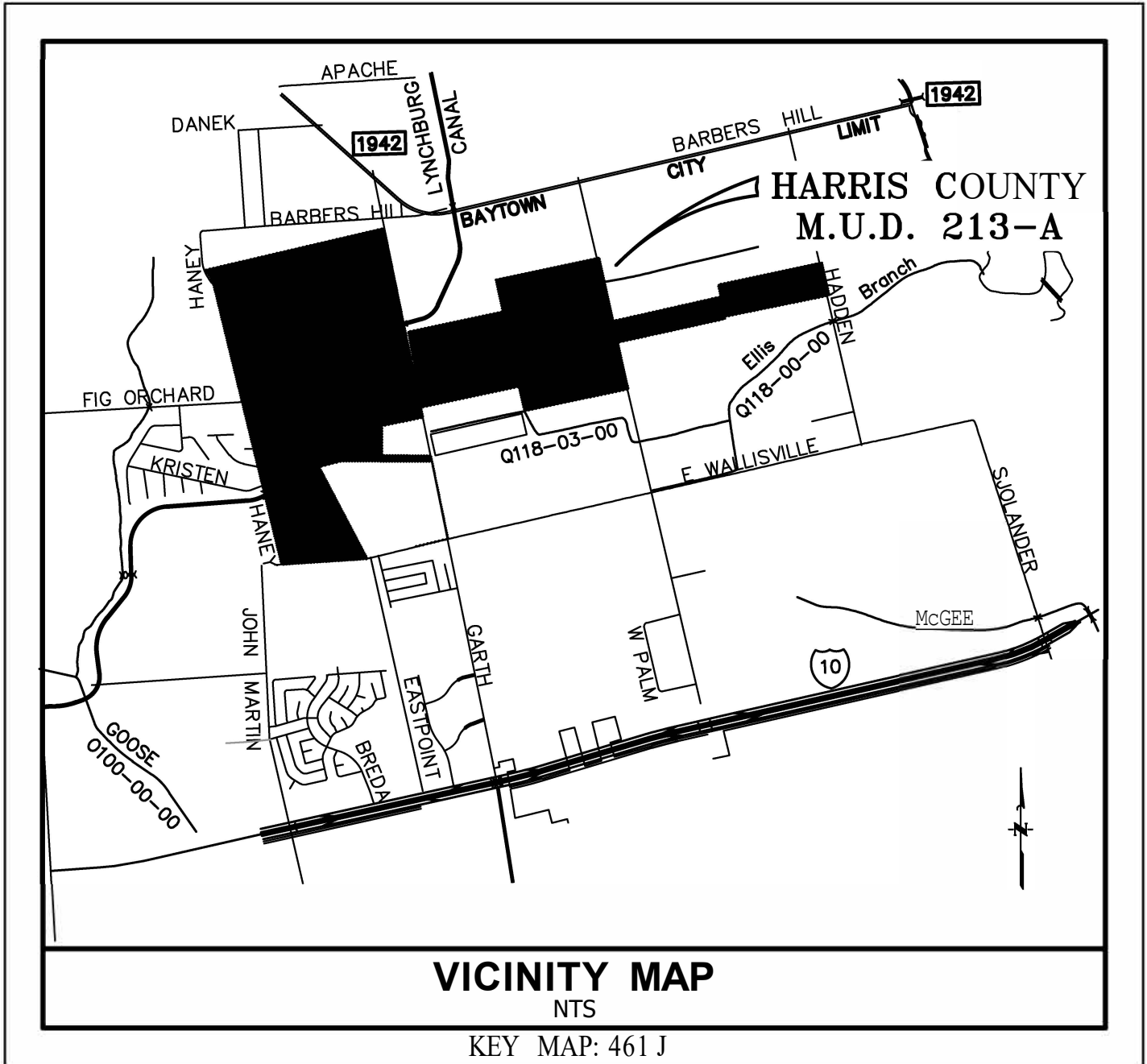
**Status of Residential Development**

Land within the District is being developed as the single-family residential subdivisions known as Ashbel Crossing, Wooster Crossing, Sterling Point, and Burnet Fields. Homebuilding within the District commenced on or about January of 2020. The following table indicates the approximate status of single-family residential development as of September 1, 2023. See “APPENDIX B – PHOTOGRAPHS TAKEN IN THE DISTRICT” for further illustration of the various products of homes being constructed in the District.

<u>Subdivision/Section</u>	<u>Total Lots</u>	<u>Homes</u>		<u>Vacant Lots</u>
		<u>Complete</u>	<u>Under Construction</u>	
Ashbel Crossing, Sections 1 – 6 (a)	299	299	0	0
Wooster Crossing, Sections 1 – 4 (b)	267	267	0	0
Sterling Point, Section 1 (c)	121	118	0	3
Sterling Point, Section 2 (c)	103	103	0	0
Sterling Point, Section 3 (c)	64	61	0	3
Sterling Point, Section 4 (c)	100	25	64	11
Sterling Point, Section 5 (c)	68	19	49	0
Sterling Point, Section 6 (c)	78	18	43	17
Sterling Point, Section 7 (c)	102	0	0	102
Sterling Point, Section 9 (c)	100	0	25	75
Burnet Fields, Section 1 (d)	70	70	0	0
Burnet Fields, Section 2 (d)	77	77	0	0
Burnet Fields, Section 3 (d)	101	14	87	0
<b><u>TOTALS</u></b>	<b><u>1,550</u></b>	<b><u>1,071 (e)</u></b>	<b><u>268</u></b>	<b><u>211</u></b>

- (a) Homes in the Ashbel Crossing subdivision were constructed on 50-foot and 60-foot lots by Lennar and Beazer. According to the builders, homes were marketed in the \$290,000 to \$365,000 price range.
- (b) Homes in the Wooster Crossing subdivision were constructed on 40-foot and 50-foot lots by Lennar. According to Lennar, homes were marketed in the \$240,000 to \$290,000 price range.
- (c) Homes in the Sterling Point subdivision are being constructed on 45-foot, 50-foot, and 60-foot lots by Lennar. According to Lennar, homes are being marketed in the \$290,000 to \$365,000 price range.
- (d) Homes in the Burnet Fields subdivision are being constructed on 40-foot lots by Lennar. According to Lennar, homes are being marketed in the \$240,000 to \$290,000 price range.
- (e) According to the District’s records as of September 1, 2023, approximately 1,003 homes were owner-occupied. According to the Developer, one (1) of the completed homes is being used as a model home.

Vicinity Map



**VICINITY MAP**

NTS

KEY MAP: 461 J

**ATTACHMENT IV  
LOCATION MAP  
HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT No. 213-A  
MARCH 2023**



Texas Board of Professional Engineers and Land Surveyors Reg. No. F-23290  
6330 West Loop South, Suite 150 • Bellaire, TX 77401 • 713.777.5337



HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 213-A

GARTH RD.

WALLACEVILLE RD.





## **THE SYSTEM**

### **Regulation and Description of the System**

According to the District's engineer, Quiddity Engineering, LLC (the "Engineer"), the water, wastewater, and storm drainage facilities serving the 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, as applicable among others, the TCEQ, Harris County, and the City of Baytown, Texas (the "City"). According to the Engineer, all such facilities constructed to date have been approved by all required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies having jurisdiction.

Operation of the District's water production and wastewater treatment facilities is provided by the City, and is subject to regulation by, among others, the United States Environmental Protection Agency, the TCEQ, and the Texas Department of Health. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

The District has financed certain of its costs of construction or acquisition of components of the water supply and distribution, wastewater collection and treatment, and storm drainage and detention facilities, among other facilities that have been and will be constructed to serve the land within the District, with portions of the proceeds of the sale of certain of the Outstanding Bonds. In addition to the components of the System that the District has financed, 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 "RISK FACTORS – Future Debt."

### **Water System**

Pursuant to a Water Supply and Waste Disposal Agreement, dated July 2, 2019, as amended (the "Utility Agreement"), by and between the District and the City, water supply for the District's customers is provided by the City. The District's source of water is surface water and ground water provided by the City's water supply facilities and distributed to the District by way of a 12-inch waterline. The City provides water supply service to the District through two points of delivery within the District that distribute water directly into the District's water distribution system. The District is responsible for the operation and maintenance of its water distribution system beyond the points of delivery from the City. The District has previously requested, and the City has provided, water supply commitments to provide capacity adequate to serve 1,679 equivalent single-family connections ("ESFCs"). The District will make reservation requests for additional water supply capacity and pay impact fees to the City on a per ESFC basis as additional sections are developed according to platted lots. The City has reserved water supply capacity within its water plants that is adequate to serve the ultimate build out of the District given currently anticipated development plans. Pursuant to the terms of the Utility Agreement, the City bills the District directly for water supply services and the District bills residents and customers at retail rates. The District, with the City's consent, has entered into an agreement with Goose Creek Consolidated Independent School District ("GCCISD") to provide out-of-district water service to a GCCISD elementary school.

### **Wastewater System**

Pursuant to the Utility Agreement, wastewater treatment for the District's customers is provided by the City. The District's source of wastewater treatment is from a City wastewater treatment plant. The District is responsible for the operation and maintenance of its wastewater collection system within the boundaries of the District. The District has previously requested, and the City has provided, wastewater treatment commitments to provide capacity adequate to serve 1,679 ESFCs. The District will make reservation requests for additional wastewater treatment capacity and pay impact fees to the City on a per ESFC basis as additional sections are developed according to platted lots. The City has reserved wastewater treatment capacity within its wastewater treatment plant that is adequate to serve the ultimate build out of the District given currently anticipated development plans. Pursuant to the terms of the Utility Agreement, the City bills the District directly for wastewater treatment services and the District bills residents and customers at retail rates. The District, with the City's consent, has entered into an agreement with GCCISD to provide out-of-district wastewater service to a GCCISD elementary school.

### **Drainage and Detention System**

The underground storm sewer facilities serving developed portions of the District are complete. The natural course of drainage in the District flows toward Goose Creek and Cedar Bayou. Storm water is conveyed by overland flow and by the storm sewer collection system within the District. The storm sewer collection system drains runoff from the developed areas and a portion of the remaining undeveloped areas to detention facilities within the District, which outfall into roadside ditches along Wallisville Road and Garth Road, which ultimately outfalls to Goose Creek and Cedar Bayou. The detention volume provided in the District is a combined gravity and pumped system. The District will operate a storm water pump station for the pumped volume in these detention basins. The Utility Agreement does not cover the detention and drainage facilities owned by the District. The District will be responsible for future maintenance of such detention and drainage facilities.

### **100-Year Flood Plain**

According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM) Panel No. 48201C0755M, dated January 6, 2017, the District is not located within 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 based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a

larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See "RISK FACTORS – Atlas 14."

### General Fund Operating History

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

	<b>Fiscal Year Ended April 30 (a)</b>				
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>					
Property taxes	\$963,079	\$465,794	\$22,696	\$6,076	\$1,589
Water service	\$626,228	\$338,727	\$145,669	\$8,741	-
Sewer service	\$591,524	\$323,051	\$114,256	\$4,059	-
Penalty and other	\$20,938	\$15,513	\$3,459	\$511	\$94
Tap connection and sewer inspection fees	\$482,959	\$270,440	\$183,320	\$71,220	-
Interest on deposits	\$17,934	\$9	\$289	\$37	\$15
Other	\$33,256	\$12,280	\$17,519	\$700	-
<b>TOTAL REVENUES</b>	<b><u>\$2,735,918</u></b>	<b><u>\$1,425,814</u></b>	<b><u>\$487,208</u></b>	<b><u>\$91,344</u></b>	<b><u>\$1,698</u></b>
<b>EXPENDITURES</b>					
Current:					
Purchased services	\$683,901	\$324,947	\$203,144	\$21,517	-
Professional fees	\$158,100	\$133,745	\$140,129	\$61,286	\$96,788
Contracted services	\$78,986	\$63,475	\$34,540	\$9,124	\$7,011
Utilities	\$32,476	\$17,313	\$7,067	-	-
Repairs, maintenance and other operating expenditures	\$532,247	\$250,248	\$177,360	\$69,683	-
Garbage disposal	\$144,436	\$69,894	\$25,948	-	-
Administrative expenditures	\$62,712	\$35,028	\$20,649	\$5,877	\$9,517
Capital outlay	\$334,793	\$208,920	\$166,390	\$33,855	-
<b>TOTAL EXPENDITURES</b>	<b><u>\$2,027,651</u></b>	<b><u>\$1,103,570</u></b>	<b><u>\$775,227</u></b>	<b><u>\$201,342</u></b>	<b><u>\$113,316</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Reimbursement to other funds	-	(\$20,485)	-	-	-
Operating advances by developers (b)	-	\$230,000	\$240,000	-	-
<b>NET CHANGE IN FUND BALANCE (c)</b>	<b><u>\$708,267</u></b>	<b><u>\$531,759</u></b>	<b><u>(\$48,019)</u></b>	<b><u>(\$109,998)</u></b>	<b><u>(\$111,618)</u></b>
<b>Total Active Retail Water Connections</b>	<b>1,147</b>	<b>547</b>	<b>312</b>	<b>86</b>	<b>0</b>
<b>Total Active Retail Wastewater Connections</b>	<b>1,176</b>	<b>544</b>	<b>309</b>	<b>83</b>	<b>0</b>

(a) Data is taken from District's financial statements. The financial statements of the District as of April 30, 2021, and for the year then ended, represent the first year of audited financial statements. Fiscal year 2019 represents the first year of financial activity. See "APPENDIX A."

(b) Audited amounts of operating advances for fiscal years 2020 and 2019 are unavailable. As noted elsewhere in this Official Statement, the Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time. The District is not currently budgeting, nor anticipating the need for, any operating advances from the Developer for the foreseeable future. See "RISK FACTORS – Operating Funds."

(c) As of September 27, 2023, the District's General Fund had an unaudited cash and investment balance of \$938,769. For the fiscal year ending April 30, 2024, the District's General Fund is currently budgeting revenues of \$2,845,000 and expenditures of \$2,348,500.

### THE ROADS

The District is financing and has financed certain of its costs of construction or acquisition of components of the road system (the "Roads"), which serves the property in the District. The Roads serve the residents of the District by providing access to the major thoroughfares and collector roads within the Ashbel Crossing, Wooster Crossing, Sterling Point, and Burnet Fields subdivisions and the surrounding area. The portion of the Roads to be financed from the proceeds of the Bonds are comprised of those roads and related facilities described under "USE OF BOND PROCEEDS." Garth Road serves as a major thoroughfare by conveying travelers to Interstate Highway 10. The Roads consist of additional arterial roads, collector roads, and improvements in aid thereof.

The Roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, wastewater and drainage facilities are located within the right-of-way or easement dedicated to the District. The right-of-way is also shared by streetlights, sidewalks, and franchise utilities, including power, gas, telephone, and cable utilities. The Roads have been designed and constructed in accordance with standards, rules, and regulations of Harris County and the City. Upon completion, the

Roads are conveyed to Harris County for ownership, operation and maintenance in accordance with the standard acceptance procedures. See "RISK FACTORS – Financing Road Facilities."

**MANAGEMENT OF THE DISTRICT**

The District is governed by a board of directors (the "Board"), which has control over and management supervision of all affairs of the District. None of the directors reside within the District, but each of the directors owns a parcel of land in the District subject to a note and deed of trust. A directors' election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
James Coursey	President	2026
Jacob Saour	Vice President	2024
W. Fritz Maxwell	Secretary	2024
James "Randy" Bowles	Assistant Secretary	2026
Alexander Soler	Assistant Secretary	2026

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing/collecting services, engineering, legal, financial advisory and annual auditing of its books as follows:

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

Bookkeeper – The District has contracted with Myrtle Cruz, Inc. for bookkeeping services.

Auditor – The financial statements of the District as of April 30, 2023, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's April 30, 2023, audited financial statements.

Utility System Operator – The City of Baytown is the operator of the System, except that Municipal Operations and Consulting, Inc. is the operator for the District's water and wastewater system beyond points of delivery by the City of Baytown.

Engineer – The consulting engineer for the District is Quiddity Engineering, LLC (the "Engineer").

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

General Counsel and Bond Counsel – Coats Rose, P.C. serves as Bond Counsel to the District and as General Counsel for the District on matters other than the issuance of bonds. Payment for General Counsel services is based on an hourly fee charge. Bond Counsel is paid a fee from the proceeds of the Bonds; such fee is contingent upon the sale and delivery of the Bonds.

Disclosure Counsel – Allen Boone Humphries Robinson LLP, Houston, Texas, serves as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

**DISTRICT INVESTMENT POLICY**

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

**THE DEVELOPER**

**Role of a Developer**

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers, or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing the water, wastewater, and drainage facilities (the "Facilities") in the utility district. In addition, a developer is ordinarily a major taxpayer within a utility district during the development phase of property, and a developer's inability to pay the taxes assessed on its property within a district

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

### **Description of the Developer**

The developers of the land and lots located in the Ashbel Crossing subdivision were Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, d/b/a Friendswood Development Company, a Texas limited partnership ("Lennar" or the "Developer"), and Beazer Homes Texas L.P. ("Beazer"). Effective May 31, 2018, Lennar and Beazer entered into a Memorandum of Joint Ownership and Development Agreement (the "Development Agreement") pertaining to the land, lots, and construction costs associated with the development of the Ashbel Crossing subdivision. The Development Agreement provides that Lennar and Beazer will each have a 50% interest in the acreage in the District being developed and platted as the Ashbel Crossing subdivision. The Development Agreement provides that Lennar and Beazer each contribute 50% of the development costs and in turn receive approximately 50% of the developed lots created in the Ashbel Crossing subdivision. The Ashbel Crossing subdivision is built out and there is no development activity or active homebuilding program in such subdivision.

Lennar is the sole developer of the land and lots located in the Wooster Crossing, Sterling Point, and Burnet Fields subdivisions. Lennar has additional land holdings within the District that are currently planned for future single-family residential development. See "Future Development" herein.

### **Developer Financing**

Specific to Lennar's and Beazer's financing of the Ashbel Crossing subdivision, the Development Agreement generally prohibits Lennar and Beazer from taking on debt secured by either Lennar's or Beazer's land within the Ashbel Crossing subdivision without the permission of the other party. Neither Lennar nor Beazer have loans related to the development of the land within the Ashbel Crossing subdivision. As noted elsewhere in this Official Statement, the Ashbel Crossing subdivision is built out and there is no development activity or active homebuilding program in such subdivision.

The Developer is a wholly owned subsidiary of its publicly traded parent company, Lennar Corporation, whose stock is listed on the New York Stock Exchange. As a publicly traded company, Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files annual reports, quarterly reports, proxy statements, and periodic statements with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements, and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements, and other information regarding registrants that file electronically with the SEC.

While Lennar Corporation may provide internal financing to its subsidiaries, including the Developer, it is not in any way responsible for the payment of taxes to the District or for the payment of interest and principal on the Bonds.

### **Homebuilders**

The Developer is also the sole homebuilder that is currently building and marketing homes in the District. Homes in the District are currently being constructed in the Sterling Point and Burnet Fields subdivisions by Lennar on 40-foot, 45-foot, 50-foot, and 60-foot lots and are being marketed in the \$240,000 to \$365,000 price range. Previous homebuilders include Beazer, which constructed homes in the Ashbel Crossing subdivision on 50-foot and 60-foot lots and marketed homes in the \$290,000 to \$365,000 price range. See "THE DISTRICT – Status of Residential Development."

### **Future Development**

Lennar owns additional land within the District that is currently under development for single-family residential purposes in the Sterling Point subdivision. According to Lennar, Sterling Point, Section 8 is currently under development and expected to contain 129 single-family residential lots. The lots in Sterling Point, Section 8 are anticipated to be available for homebuilding during the third quarter of 2023. On January 25, 2023, the District annexed a tract of land totaling approximately 378 acres. The approximately 378-acre tract is owned by Lennar, is currently undeveloped, and is anticipated to be developed for predominantly single-family residential purposes in the subdivisions to be known as Scotts Bend and Pelly Place. According to Lennar, the Scotts Bend and Pelly Place subdivisions are currently planned for approximately 1,239 single-family residential lots, including approximately 803 single-family residential lots in the Scotts Bend subdivision and 436 single-family residential lots in the Pelly Place subdivision. As stated elsewhere in this Official Statement, the Developer has no commitment or obligation to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Future development and homebuilding depend, in part, upon short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions. Neither the District nor the Developer represent that the development of the Scotts Bend or Pelly Place subdivisions will ever be undertaken nor that any taxable improvements will ever be constructed thereon. See "RISK FACTORS – Economic Factors," "– Competition," and "– Landowners/Developers Under No Obligation to the District."

**DISTRICT DEBT**

8/15/2023 Estimated Taxable Value	\$327,688,357	(a)
2023 Certified Taxable Value	\$214,666,921	(b)
Direct Debt:		
Outstanding Bonds (as of September 1, 2023)	\$31,770,000	
The Bonds	<u>\$8,100,000</u>	
Total Direct Debt	\$39,870,000	
Estimated Overlapping Debt	<u>\$4,521,989</u>	(c)
Direct and Estimated Overlapping Debt	\$44,391,989	
Percentage of Direct Debt to:		
8/15/2023 Estimated Taxable Value	12.17%	
2023 Certified Taxable Value	18.57%	
Percentage of Direct and Estimated Overlapping Debt to:		
8/15/2023 Estimated Taxable Value	13.55%	
2023 Certified Taxable Value	20.68%	
2022 Tax Rate Per \$100 of Assessed Value:		
Debt Service Tax	\$0.33	
Road Debt Service Tax	\$0.19	
Maintenance Tax	<u>\$0.93</u>	
Total 2022 Tax Rate	\$1.45	(d)
Cash and Temporary Investment Balances as of September 27, 2023:		
General Fund	\$938,769	(e)
Debt Service Fund	\$394,146	(f)
Road Debt Service Fund	\$691,352	(f) (g)

- (a) Reflects data supplied by HCAD. The Estimated Taxable Value as of August 15, 2023, was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2023 Certified Taxable Value according to data supplied to the District by HCAD, which includes \$10,520,002 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents HCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) See "Estimated Overlapping Debt" herein.
- (d) On October 25, 2023, the Board levied a total tax rate of \$1.43 per \$100 of assessed valuation for the 2023 tax year, with \$0.39 allocated for the debt service tax, \$0.35 allocated for the road debt service tax, and \$0.69 allocated for the maintenance tax.
- (e) Unaudited figure per the District's records. See "RISK FACTORS – Operating Funds" and "THE SYSTEM – General Fund Operating History."
- (f) Such balances take into account the October 1, 2023 debt service payment on the Outstanding Bonds. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Road Debt Service Fund or the Debt Service Fund. The cash and investment balances in the Debt Service Fund are not available to make debt service payments on the Bonds. Likewise, the cash and investment balances in the Road Debt Service Fund will not be available to make debt service payments on the District's bonds sold for water, sewer, and drainage purposes. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."
- (g) The cash and investment balance in the Road Debt Service Fund includes \$445,500 of capitalized interest to be funded with proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. See "USE OF BOND PROCEEDS."

**Estimated Overlapping Debt**

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

<b><u>Taxing Jurisdiction</u></b>	<b><u>Outstanding Debt</u></b>	<b><u>Overlapping Debt</u></b>	
		<b><u>Percent</u></b>	<b><u>Amount</u></b>
Goose Creek Consolidated Independent School District	\$640,798,572	0.58%	\$3,738,240
Lee Junior College District	\$29,965,000	0.60%	\$180,299
Harris County	\$1,660,661,319	0.02%	\$310,062
Harris County Department of Education	\$13,865,000	0.02%	\$2,588
Harris County Flood Control District	\$1,009,015,000	0.02%	\$192,313
Harris County Hospital District	\$70,970,000	0.02%	\$13,524
Port of Houston Authority	\$445,749,397	0.02%	\$84,963
<b>Total Estimated Overlapping Debt</b>			<b>\$4,521,989</b>
<b>The District (a)</b>			<b>\$39,870,000</b>
<b>Total Direct and Estimated Overlapping Debt</b>			<b>\$44,391,989</b>

(a) Includes the Bonds.

**DISTRICT TAX DATA**

**Tax Rate and Collections**

The following table sets forth the historical tax information collection experience of the District for the years 2018 through 2022. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<b><u>Tax Year</u></b>	<b><u>Taxable Valuation (a)</u></b>	<b><u>Tax Rate (b)</u></b>	<b><u>Tax Levy</u></b>	<b><u>Cumulative Tax Collections (c)</u></b>	<b><u>Tax Year Ended September 30</u></b>
2022	\$108,787,692	\$1.45	\$1,577,422	99%	2023
2021	\$41,168,595	\$1.45	\$596,945	100%	2022
2020	\$991,481	\$1.45	\$14,376	100%	2021
2019	\$429,661	\$1.45	\$6,230	100%	2020
2018	\$106,332	\$1.35	\$1,435	100%	2019

(a) See "Analysis of Tax Base" herein.

(b) See "Tax Rate Distribution" herein.

(c) Represents cumulative collections as of August 31, 2023.

**Maintenance Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a maintenance tax of up to \$1.50 per \$100.00 of assessed valuation at an election held on May 5, 2018. See "Tax Rate Distribution" herein.

**Debt Service Tax**

The District covenants in the Bond Order to levy and assess, for each year that all of or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. See "Tax Rate Distribution" herein.

**Road Facilities Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of road facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a road facilities tax of up to \$1.50 per

\$100.00 of assessed valuation at elections held on May 5, 2018. The Board has never levied a road facilities tax and the Board currently has no plans to levy such tax. See "Tax Rate Distribution" herein.

**Park and Recreational Facilities Tax**

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of park and recreational facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a park and recreational facilities tax of up to \$0.10 per \$100.00 of assessed valuation at elections held on May 5, 2018. The Board has never levied a park and recreational facilities tax and the Board currently has no plans to levy such tax. See "Tax Rate Distribution" herein.

**Additional Penalties**

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

**Tax Rate Distribution**

The following table sets forth the tax rate distribution of the District for the years 2018 through 2022.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Debt Service	\$0.33	\$0.25	\$0.00	\$0.00	\$0.00
Road Debt Service	\$0.19	\$0.00	\$0.00	\$0.00	\$0.00
Maintenance/Operation	<u>\$0.93</u>	<u>\$1.20</u>	<u>\$1.45</u>	<u>\$1.45</u>	<u>\$1.35</u>
<b>Total (a)</b>	<b>\$1.45</b>	<b>\$1.45</b>	<b>\$1.45</b>	<b>\$1.45</b>	<b>\$1.35</b>

(a) On October 25, 2023, the Board levied a total tax rate of \$1.43 per \$100 of assessed valuation for the 2023 tax year, with \$0.39 allocated for the debt service tax, \$0.35 allocated for the road debt service tax, and \$0.69 allocated for the maintenance tax.

**Principal Taxpayers**

The list of principal taxpayers for 2023 and the other information provided by this table were provided by HCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of HCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Friendswood Development Company (a)	Land and Improvements	\$25,742,870	12.61%
LNR AIV LLC (a) (b)	Land and Improvements	\$13,629,405	6.68%
Lennar Homes of Texas Land & Const Ltd (a)	Land and Improvements	\$4,016,550	1.97%
Beazer Homes Texas LP (a)	Land and Improvements	\$3,611,109	1.77%
Lennar Homes of Texas Land & Const Ltd (a)	Land and Improvements	\$1,686,309	0.83%
FKH SFR Propco K LP	Land and Improvements	\$929,840	0.46%
Beazer Homes Texas LP (a)	Land and Improvements	\$734,845	0.36%
RASD LLC	Land and Improvements	\$608,846	0.30%
Homeowner	Land and Improvements	\$583,448	0.29%
RM1 SFR Propco B LP	Land and Improvements	\$537,887	0.26%
<b>TOTALS</b>		<b>\$52,081,109</b>	<b>25.51%</b>

(a) Represent land, lot, and improvement values owned by the Developer, Beazer, and their related homebuilding entities. See "THE DEVELOPER – Description of the Developer," "– Homebuilders," and "RISK FACTORS – Principal Landowners' Obligations to the District."

(b) Represents a land banker for the Developer relating to the land and lots in Burnet Fields, Section 3 and Sterling Point, Sections 4 – 9.

**Analysis of Tax Base**

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferments for 2018 through 2023, and includes the August 15, 2023 Estimated Taxable Value.

Tax Roll Year	Type of Property			Gross Valuations	Exemptions (a)	Taxable Valuations
	Land	Improvements	Personal Property			
8/15/2023						\$327,688,357 (b)
2023	\$53,264,115	\$155,806,374	\$351,385	\$209,421,874	\$5,274,955	\$204,146,919 (c)
2022	\$31,055,755	\$83,281,136	\$415,337	\$114,752,228	\$5,964,536	\$108,787,692
2021	\$20,809,018	\$27,651,753	\$221,245	\$48,682,016	\$7,513,421	\$41,168,595
2020	\$3,332,520	\$367,531 (d)	\$0	\$3,700,051	\$2,708,570	\$991,481
2019	\$3,333,455	\$167,470 (d)	\$0	\$3,500,925	\$3,071,264	\$429,661
2018	\$3,333,455	\$0 (d)	\$0	\$3,333,455	\$3,227,123	\$106,332

- (a) The exemption amounts for the tax years 2018 through and including 2020 are attributable to the Developer's property being held under agricultural, open-space, timberland, or inventory valuation. The Developer has entered into an agreement with the District waiving its right to claim such agricultural, open-space, timberland, and inventory valuation for any of the Developer's land holdings or other property with respect to taxation by the District.
- (b) Reflects data supplied by HCAD. The Estimated Taxable Value as of August 15, 2023, was prepared by HCAD and provided to the District. Such values are not binding on HCAD and are provided for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."
- (c) Reflects only the portion of the January 1, 2023 Certified Taxable Value that is presently certified on the District's tax roll and, therefore, excludes \$10,520,002 of uncertified taxable value that is still in the certification process; such amount of uncertified value represents HCAD's estimate of the taxable value that will ultimately be certified on the District's tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."
- (d) Homebuilding in the District commenced subsequent to January 1, 2020. See "THE DISTRICT – Status of Residential Development."

**Estimated Overlapping Taxes**

The following table sets forth all 2022 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2022 Tax Rate</u>
Goose Creek Independent School District	\$1.281700
Lee Junior College District	\$0.220100
Harris County (a)	\$0.535480
Harris County Emergency Services District No. 75	<u>\$0.100000</u>
<b>Overlapping Taxes</b>	<b>\$2.137280</b>
The District	\$1.450000
<b>Total Direct &amp; Overlapping Taxes</b>	<b>\$3.587280</b>

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



**Tax Adequacy of Tax Revenue**

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District’s Operating Fund to the Debt Service Fund, and no increase or decrease in assessed valuation over the August 15, 2023 Estimated Taxable Value and the 2023 Certified Taxable Value and utilize a tax rate adequate to service the District’s total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2048).....	\$2,696,838 (a)
Requires a \$0.87 debt service tax rate on the August 15, 2023 Estimated Taxable Value of \$327,688,357 at 95% collections .....	\$2,708,344 (a)
Requires a \$1.33 debt service tax rate on the 2023 Certified Taxable Value of \$214,666,921 (b) at 95% collections .....	\$2,712,317 (a)

- (a) A certain portion of the maximum annual debt service requirement will be paid for with the District’s debt service tax rate (for water, sewer, and drainage purposes) and a certain portion will be paid for with the District’s road debt service tax rate.
- (b) Reflects the January 1, 2023 Certified Taxable Value according to data supplied to the District by HCAD, which includes \$10,520,002 of uncertified taxable value that is still in the certification process. Such amount of uncertified value represents HCAD’s estimate of the taxable value that will ultimately be certified on the District’s tax roll after successful protest. The District is authorized by law to levy taxes only against certified values. See “TAXING PROCEDURES.”

**TAXING PROCEDURES**

**Authority to Levy Taxes**

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

**Property Tax Code and County-Wide Appraisal District**

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. HCAD has the responsibility for appraising property for all taxing units within Harris County, including the District. Such appraisal values are subject to review and change by the Harris County Appraisal Review Board (the “Appraisal Review Board”). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

The Property Tax Code requires the appraisal district, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given 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 property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court. Prior to such appeal or any tax delinquency date, however, the property owner must pay the tax due on the value of that portion of the property involved that is not in dispute or the amount of tax imposed in the prior year, whichever is greater, or the amount of tax due under the order from which the appeal is taken. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. In addition, taxing units, such as the District, are 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 of the granting in whole or in part of certain exemptions.

A taxing unit may not, however, challenge the valuation of individual properties. Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The appraisal district is governed by a board of directors elected by the governing bodies of the county and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the appraisal district. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the appraisal district at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District has never adopted an order granting an exemption for persons age 65 and older and disabled persons. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending on the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full assessed value of the veteran's residential homestead.

Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

***Residential Homestead Exemptions.*** The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads, but not less than \$5,000, if any exemption is granted, from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

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

## **Tax Abatement**

Either Harris County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, Harris County, the City (if it were to annex the District), or the District at the option and discretion of each entity, may enter into tax abatement agreements with property owners within the zone. Prior to entering into a tax abatement agreement, each entity must

adopt guidelines and criteria for establishing tax abatement agreements, which each entity will follow in granting tax abatement agreements to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by HCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to a cumulative 10% annual increase regardless of the market value of the property.

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

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

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

### **District and Taxpayer Remedies**

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

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 1% for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to 20% if imposed by the District for collection costs. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment

of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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

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

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

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

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

**The District.** A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2023 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

### **District's Rights in the Event of Tax Delinquencies**

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." 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 be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property,

within two years for residence homesteads and land designated for agricultural use, and six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

## **ANNEXATION AND CONSOLIDATION**

### **Annexation by the City of Baytown**

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Subject to the SPA (hereinafter defined), the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. See "Strategic Partnership Agreement" herein.

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

### **Strategic Partnership Agreement**

Texas Local Government Code Section 43.0751 authorizes the governing body of a municipality and a municipal utility district to negotiate and enter into a strategic partnership agreement by mutual consent. On January 24, 2019, the District and the City entered into a Strategic Partnership Agreement (the "SPA"). Under the terms of the SPA, the City may annex the District for the limited purposes and apply the City's "Health and Sanitation" Ordinance and portions of its "Signs" Ordinance (specifically, Division 4 "Location," Article III "Regulations" along with all other provisions regulating off-premise signs and digital billboards) and impose a sales and use tax in the District. During the term of the SPA, except if annexed for full purposes pursuant to the SPA, ad valorem taxes levied by the City will not be levied on taxable property within the District, and the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes, except by mutual agreement of the District and the City. The initial term of the SPA is 30 years.

### **Consolidation**

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

## **THE BONDS**

### **General**

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

The Bonds are dated and will bear interest from November 1, 2023, at the per annum rates shown on the cover page hereof. The Bonds are fully registered serial bonds maturing on April 1 in the years 2025 through 2048, inclusive, in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2024, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

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

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

## **Optional Redemption**

The Bonds scheduled to mature on or after April 1, 2029, are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2028, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method, in integral multiples of \$5,000 in any one maturity, as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

## **Mandatory Redemption**

The Bonds maturing on April 1 in the years 2036 and 2039 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown in the tables below.

### **\$600,000 Term Bonds, due April 1, 2036**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
April 1, 2035	\$290,000
April 1, 2036 (maturity)	\$310,000

### **\$1,025,000 Term Bonds, due April 1, 2039**

<b><u>Mandatory Redemption Date</u></b>	<b><u>Principal Amount</u></b>
April 1, 2037	\$325,000
April 1, 2038	\$340,000
April 1, 2039 (maturity)	\$360,000

## **Notice of Redemption: Partial Redemption**

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

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

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

## **Authority for Issuance**

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, Chapter 8478, Texas Special District Local Laws Code, general laws of the State of Texas, specifically, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District on May 5, 2018, and pursuant to the terms and provisions of the Bond Order adopted by the Board.

## **Source of and Security for Payment**

In the Bond Order the District covenants to levy a tax sufficient in rate and amount to pay principal of and interest on the Bonds when due, full allowance being made for delinquencies and costs of collection, and the District undertakes to collect such tax. The net proceeds from taxes levied for debt service purposes will be deposited in the District's Debt Service Fund and will be used to pay principal of and interest on the Bonds and on any additional bonds payable from taxes which the District may hereafter issue.

## **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 law, such discharge may be accomplished either: (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment

(paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision or a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

### **Funds**

In the Bond Order, the Road Debt Service Fund is confirmed and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized in the Bond Order shall be deposited, as collected, in such fund.

The District also maintains a Debt Service Fund that is not pledged to the Bonds. Funds in the Debt Service Fund are not available to pay principal and interest on the Bonds.

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

### **No Arbitrage**

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

### **Paying Agent/Registrar**

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

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

### **Registration and Transfer**

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the

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

**Lost, Stolen or Destroyed Bonds**

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

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

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

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

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

**Issuance of Additional Debt**

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

<b><u>Amount</u></b>	<b><u>Purpose</u></b>
\$194,323,000	For certain water, wastewater, and drainage facilities and for refunding
\$141,690,000	For certain road facilities and for refunding
\$17,626,000	For certain parks and recreational facilities and for refunding

After the issuance of the Bonds, the District will have \$174,953,000 of unlimited tax water, wastewater, and drainage facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued, \$121,190,000 of unlimited tax road facilities bonds (and for refunding such bonds previously issued) that will remain authorized but unissued, and \$17,626,000 of unlimited tax parks and recreational facilities bonds (and for refunding such bonds previously issued) that remain authorized but unissued.

The District has the right to issue additional bonds as may hereafter be approved by both the Board and the voters of the District. Such additional bonds would be issued on a parity with the Bonds. Any future new money bonds (except for new money road bonds) to be issued by the District must also be approved by the TCEQ.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue bonds payable from taxes for said purpose, 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) amendment of the existing City ordinance specifying the purposes for which the District may issue bonds; (c) approval of the master plan and issuance of bonds by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. The Board is not considering issuing any fire-fighting unlimited tax bonds at this time. The District has no information concerning any determination by the City to modify its consent ordinance. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds.

Depending upon the District's future issuance of tax-supported debt and the development of the District's tax base, increases in the District's annual ad valorem tax rate may be required to provide for the payment of principal of and interest on the District's current bonded indebtedness and any future tax-supported debt issued by the District. The Bond Order imposes no limitation on the amount of additional parity bonds that may be issued by the District (if authorized by the District's voters and approved by the Board and the TCEQ, if applicable). The District anticipates issuing additional bonds in the future to reimburse the Developer for funds advanced to construct facilities for the District. See "THE DEVELOPER" herein.



Generally, the Board of Directors has indicated that, in the future, new money bonds will be issued in amounts and in timeframes depending upon: (i) the rate of growth of taxable improvements in the District, and (ii) the District's ability to maintain a total tax rate of \$1.45 per \$100 of assessed valuation or less. See "RISK FACTORS – Future Debt."

### **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **LEGAL MATTERS**

### **Legal Opinions**

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under "TAX MATTERS – Tax Exemption." The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Coats Rose, P.C., also acts as counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

### **No-Litigation Certificate**

The District will furnish the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature is then pending against or, to the best knowledge and belief of the certifying officers, threatened against the District contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the titles of the then present officers of the Board.

### **No Material Adverse Change**

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

## **TAX MATTERS**

### **Tax Exemption**

In the opinion of Coats Rose, P.C., Bond Counsel, under existing law, (i) interest on the Bonds for federal income tax purposes is excludable from the gross income of the holders thereof, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations, and (ii) the Bonds will not be treated as "specified private activity bonds," the interest on which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Code. The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District and the Underwriter with respect to matters solely within the knowledge of the District and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs. Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received, or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

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

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year. Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond. The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing law, which is subject to change or modification, retroactively. The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Bonds may be included in certain corporations' "adjusted financial statement income" determined under Section 56(a) of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to include interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

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

### **NOT Qualified Tax-Exempt Obligations**

The District did NOT designate the Bonds as "qualified tax-exempt obligations" for financial institutions.

## **OFFICIAL STATEMENT**

### **Sources of Information**

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

### **Financial Advisor**

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this

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

### **Consultants**

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

*Engineer* – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM" and certain engineering matters included in "USE OF BOND PROCEEDS," "THE DISTRICT – Description and Location," "– Land Uses and Status of Land Development," "– Status of Residential Development" (except for house count data which has been provided by the Developer), and "THE ROADS" have been provided by Quiddity Engineering, LLC, and have been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

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

*Auditor* – The financial statements of the District as of April 30, 2023, and for the year then ended, included in this offering document, have been audited by Mark C. Eyring, CPA, PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's April 30, 2023, audited financial statements.

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

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

The District's financial records and audit reports are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Coats Rose, P.C., 9 Greenway Plaza, Suite 1000, Houston, Texas 77046.

### **Updating of Official Statement**

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

### **Certification as to Official Statement**

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

### **MISCELLANEOUS**

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

This Official Statement was approved by the Board of Directors of Harris County Municipal Utility District No. 213-A as of the date shown on the cover page.

**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**  
**FOR THE FISCAL YEAR ENDED APRIL 30, 2023**

HARRIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 213-A  
HARRIS COUNTY, TEXAS  
ANNUAL AUDIT REPORT  
APRIL 30, 2023

## C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	10
NOTES TO THE FINANCIAL STATEMENTS	11-20
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND	22
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	23
SCHEDULE OF SERVICES AND RATES	24-25
EXPENDITURES FOR THE YEAR ENDED APRIL 30, 2023	26-27
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS, ALL GOVERNMENTAL FUND TYPES	28
TAXES LEVIED AND RECEIVABLE	29-30
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS	31-34
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT	35
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND	36
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND	37
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	38-39



# Mark C. Eyring, CPA, PLLC

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June 28, 2023

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 213-A as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise Harris County Municipal Utility District No. 213-A's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Harris County Municipal Utility District No. 213-A, as of April 30, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Harris County Municipal Utility District No. 213-A, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 213-A's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. I obtain an understanding of internal control relevant to the audit 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 Harris County Municipal Utility District No. 213-A's internal control. Accordingly, no such opinion is expressed. I evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harris County Municipal Utility District No. 213-A's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

### **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 is the responsibility of management and, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)**Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Harris County Municipal Utility District No. 213-A's basic financial statements. The supplementary information on Pages 23 to 39 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

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

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Harris County Municipal Utility District No. 213-A (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2023.

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

#### *Government-Wide Financial Statements*

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

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

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

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

#### *Fund Financial Statements*

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

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

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

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

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

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

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

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

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

Summary of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 2,881,050	\$ 997,970	\$ 1,883,080
Capital assets	46,766,103	45,315,255	1,450,848
Total assets	<u>49,647,153</u>	<u>46,313,225</u>	<u>3,333,928</u>
Long-term liabilities	63,350,486	43,348,295	20,002,191
Other liabilities	435,471	3,835,987	(3,400,516)
Total liabilities	<u>63,785,957</u>	<u>47,184,282</u>	<u>16,601,675</u>
Net position:			
Invested in capital assets, net of related debt	(15,819,780)	(946,486)	(14,873,294)
Restricted	873,926	309,309	564,617
Unrestricted	807,050	(233,880)	1,040,930
Total net position	<u>\$ (14,138,804)</u>	<u>\$ (871,057)</u>	<u>\$ (13,267,747)</u>

Summary of Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,587,237	\$ 615,408	\$ 971,829
Charges for services	1,754,905	943,656	811,249
Other revenues	37,588	191	37,397
Total revenues	<u>3,379,730</u>	<u>1,559,255</u>	<u>1,820,475</u>
Expenses:			
Service operations	15,032,082	1,117,827	13,914,255
Debt service	1,615,395	580,848	1,034,547
Total expenses	<u>16,647,477</u>	<u>1,698,675</u>	<u>14,948,802</u>
Change in net position	(13,267,747)	(139,420)	(13,128,327)
Net position, beginning of year	<u>(871,057)</u>	<u>(731,637)</u>	<u>(139,420)</u>
Net position, end of year	<u>\$ (14,138,804)</u>	<u>\$ (871,057)</u>	<u>\$ (13,267,747)</u>

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

The District's combined fund balances as of the end of the fiscal year ended April 30, 2023, were \$2,444,064, an increase of \$1,609,574 from the prior year.

The General Fund balance increased by \$708,267, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$759,777, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$141,530, as proceeds from the District's Series 2022 unlimited tax bonds and Series 2022A unlimited tax road bonds exceeded authorized expenditures and the repayment of the Series 2021 bond anticipation note.

#### *General Fund Budgetary Highlights*

The Board of Directors amended the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated no increase or decrease in the fund balance during the year. During the fiscal year, the Board of Directors adopted an amended budget which anticipated an increase of \$482,500 in the fund balance during the year. The change from the original budget to the final budget was due to changes to various revenue and expense accounts.

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 22 of this report. The budgetary fund balance as of April 30, 2023, was expected to be \$1,287,024 and the actual end of year fund balance was \$1,199,721.

#### **Capital Asset and Debt Administration**

##### *Capital Assets*

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

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land	\$ 950,693	\$ 356,977	\$ 593,716
Detention ponds and impact fees	4,287,117	2,268,415	2,018,702
Construction in progress	41,528,293	42,689,863	(1,161,570)
Totals	<u>\$ 46,766,103</u>	<u>\$ 45,315,255</u>	<u>\$ 1,450,848</u>

Changes to capital assets during the fiscal year ended April 30, 2023, are summarized as follows:

Additions:		
Utilities and roads constructed by developer		\$ 13,483,968
Decreases:		
Assets transferred to other entities		<u>(12,033,120)</u>
Net change to capital assets		<u>\$ 1,450,848</u>

##### *Debt*

Changes in the bonded debt position of the District during the fiscal year ended April 30, 2023, are summarized as follows:

Bonded debt payable, beginning of year	\$ 3,600,000
Bonds sold	<u>18,400,000</u>
Bonded debt payable, end of year	<u>\$ 22,000,000</u>

At April 30, 2023, the District had \$184,723,000 in unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage purposes, \$129,290,000 in unlimited tax bonds authorized but unissued for road purposes and \$17,626,000 in unlimited tax bonds authorized but unissued for park and recreational facilities.

The District's bonds do not have an underlying rating. The Series 2022 bonds are insured by Build America Mutual Assurance Company and the Series 2022A bonds are insured by Assured Guaranty Municipal Corp. The insured rating of the Series 2022 and 2022A bonds is AA by Standard & Poor's. The Series 2021 bonds are not rated or insured. There were no changes in the bond ratings during the fiscal year ended April 30, 2022.

As further described in Note 5 of the notes to the financial statements, developers within the District have advanced funds to the District to cover initial operating deficits. As of April 30, 2023, the cumulative amount of developer advances for this purpose was \$470,000.

As further described in Note 5 of the notes to the financial statements, developers within the District are constructing water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At April 30, 2023, the estimated amount due to developers was \$41,528,293.

## **RELEVANT FACTORS AND WATER SUPPLY ISSUES**

### *Property Tax Base*

The District's tax base increased approximately \$67,670,000 for the 2022 tax year, primarily due to the addition of new property to the tax base.

### *Relationship to the City of Baytown*

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Baytown, the District must conform to a City of Baytown ordinance consenting to the creation of the District and any other consents. In addition, the District may be annexed by the City of Baytown. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

Utilizing a provision of Texas law, the City of Baytown ("City") and the District entered into a Strategic Partnership Agreement ("SPA") effective as of January 24, 2019. The SPA provides for the limited purpose annexation of land within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The term of the SPA is thirty (30) years from the effective date, unless earlier terminated and shall be automatically extended for additional five (5) year terms unless parties provide written notice three (3) months prior. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes.

### *Water Supply Issues*

As further described in Note 9, the District receives water through a master metered connection from the City of Baytown. The District does not use groundwater.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 158,646	\$ 207,267	\$ 347,794	\$ 713,707	\$	\$ 713,707
Temporary investments, at cost, Note 7	1,054,067	691,232		1,745,299		1,745,299
Receivables:						
Property taxes	77,329	43,238		120,567		120,567
Service accounts	261,477			261,477		261,477
Prepaid expenditures	40,000			40,000		40,000
Maintenance taxes collected not yet transferred from other fund	1,950			1,950	(1,950)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	46,766,103	46,766,103
<b>Total assets</b>	<b><u>\$1,593,469</u></b>	<b><u>\$ 941,737</u></b>	<b><u>\$ 347,794</u></b>	<b><u>\$ 2,883,000</u></b>	<b><u>46,764,153</u></b>	<b><u>49,647,153</u></b>
<b>LIABILITIES</b>						
Accounts payable	\$ 165,044	\$	\$	\$ 165,044		165,044
Accrued interest payable				0	81,580	81,580
Customer and builder deposits	151,375			151,375		151,375
Maintenance taxes collected not yet transferred to other fund		1,950		1,950	(1,950)	0
Long-term liabilities, Note 5:						
Due within one year				0	37,472	37,472
Due in more than one year				0	63,350,486	63,350,486
<b>Total liabilities</b>	<b><u>316,419</u></b>	<b><u>1,950</u></b>	<b><u>0</u></b>	<b><u>318,369</u></b>	<b><u>63,467,588</u></b>	<b><u>63,785,957</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	<u>77,329</u>	<u>43,238</u>	<u>0</u>	<u>120,567</u>	<u>(120,567)</u>	<u>0</u>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Restricted for bond interest, Note 5		332,075		332,075	(332,075)	0
Assigned to:						
Debt service		564,474		564,474	(564,474)	0
Capital projects			347,794	347,794	(347,794)	0
Unassigned	<u>1,199,721</u>			<u>1,199,721</u>	<u>(1,199,721)</u>	<u>0</u>
<b>Total fund balances</b>	<b><u>1,199,721</u></b>	<b><u>896,549</u></b>	<b><u>347,794</u></b>	<b><u>2,444,064</u></b>	<b><u>(2,444,064)</u></b>	<b><u>0</u></b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b><u>\$1,593,469</u></b>	<b><u>\$ 941,737</u></b>	<b><u>\$ 347,794</u></b>	<b><u>\$ 2,883,000</u></b>		
Net position:						
Invested in capital assets, net of related debt, Note 4					(15,819,780)	(15,819,780)
Restricted for debt service					526,132	526,132
Restricted for capital projects					347,794	347,794
Unrestricted, Note 5					<u>807,050</u>	<u>807,050</u>
<b>Total net position</b>					<b><u>\$(14,138,804)</u></b>	<b><u>\$(14,138,804)</u></b>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A

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

FOR THE YEAR ENDED APRIL 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 963,079	\$ 528,593	\$	\$ 1,491,672	\$ 85,191	\$ 1,576,863
Water service	626,228			626,228		626,228
Sewer service	591,524			591,524		591,524
Penalty, interest and other	20,938	10,374		31,312		31,312
Tap connection and sewer inspection fees	482,959			482,959		482,959
Interest on deposits and investments	17,934	18,613	1,041	37,588		37,588
Accrued interest on bonds received at date of sale		52,567		52,567	(52,567)	0
Other	<u>33,256</u>			<u>33,256</u>		<u>33,256</u>
Total revenues	<u>2,735,918</u>	<u>610,147</u>	<u>1,041</u>	<u>3,347,106</u>	<u>32,624</u>	<u>3,379,730</u>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Purchased services, Note 9	683,901			683,901		683,901
Professional fees	158,100	3,617		161,717		161,717
Contracted services	78,986	18,793		97,779		97,779
Utilities	32,476			32,476		32,476
Repairs, maintenance and other operating expenditures	532,247			532,247		532,247
Garbage disposal	144,436			144,436		144,436
Administrative expenditures	62,712	1,824	845	65,381		65,381
Capital outlay / non-capital outlay	334,793		11,318,306	11,653,099	714,814	12,367,913
Interest on developer construction			946,232	946,232		946,232
Debt service:						
Bond issuance expenditures			976,508	976,508		976,508
Interest and fees		594,136		594,136	44,751	638,887
Total expenditures / expenses	<u>2,027,651</u>	<u>618,370</u>	<u>13,241,891</u>	<u>15,887,912</u>	<u>759,565</u>	<u>16,647,477</u>
Excess (deficiency) of revenues over expenditures	<u>708,267</u>	<u>(8,223)</u>	<u>(13,240,850)</u>	<u>(12,540,806)</u>	<u>(726,941)</u>	<u>(13,267,747)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds issued, Note 5		1,312,620	17,087,380	18,400,000	(18,400,000)	0
Bond issuance discounts, Note 5		(544,620)		(544,620)	544,620	0
Bond anticipation note repaid, Note 5			(3,705,000)	(3,705,000)	3,705,000	0
Total other financing sources (uses)	<u>0</u>	<u>768,000</u>	<u>13,382,380</u>	<u>14,150,380</u>	<u>(14,150,380)</u>	<u>0</u>
Net change in fund balances / net position	708,267	759,777	141,530	1,609,574	(14,877,321)	(13,267,747)
Beginning of year	<u>491,454</u>	<u>136,772</u>	<u>206,264</u>	<u>834,490</u>	<u>(1,705,547)</u>	<u>(871,057)</u>
End of year	<u>\$ 1,199,721</u>	<u>\$ 896,549</u>	<u>\$ 347,794</u>	<u>\$ 2,444,064</u>	<u>\$(16,582,868)</u>	<u>\$(14,138,804)</u>

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-ANOTES TO THE FINANCIAL STATEMENTSAPRIL 30, 2023

## NOTE 1: REPORTING ENTITY

Harris County Municipal Utility District No. 213-A (the "District") was created by Act of the 83<sup>rd</sup> Texas Legislature, Regular Session, codified at Chapter 8478, Texas Special District Local Laws Code, as a municipal utility district, effective September 1, 2013. The District operates in accordance with Texas Water Code Chapters 49 and 54 and Article III, Section 52 and Article XVI, Section 59, of the Texas Constitution. The District was confirmed by an election held within the District on May 5, 2018. The District is located within the extraterritorial jurisdiction of the City of Baytown and within Harris County, Texas. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on February 1, 2018. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the "TCEQ") with respect to water, wastewater and drainage.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services. In addition, the District is authorized to construct, acquire, improve, maintain or operate roads and parks located within its boundaries. The District is empowered, if approved by the electorate, the TCEQ and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

#### Basic Financial Statements

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

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

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

### Interfund Activity

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

### Receivables

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

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

### Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 2,444,064
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		46,766,103
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	\$ (22,000,000)	
Deferred charge on refunding (to be amortized as interest expense)	610,335	
Due to developers for operating advances	(470,000)	
Due to developers for construction	<u>(41,528,293)</u>	(63,387,958)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		120,567
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(81,580)</u>
Net position, end of year		<u>\$14,138,804</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		\$ 1,609,574
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 11,033,695	
Assets transferred to other entities	(12,033,120)	
Operating advances reimbursed to developers	<u>284,611</u>	(714,814)
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Bonds issued	(18,400,000)	
Bond Anticipation Note repaid	<u>3,705,000</u>	(14,695,000)
<p>The funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:</p>		
Issuance discount		520,809
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Uncollected property taxes		85,191
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Accrued interest		<u>(73,507)</u>
Change in net position		<u>\$ (13,267,747)</u>

NOTE 4: CAPITAL ASSETS

At April 30, 2023, "Invested in capital assets, net of related debt" was \$(15,819,780). This amount was negative primarily because not all expenditures from bond proceeds (such as bond issuance costs) were for the acquisition of capital assets. Furthermore, the District lies within extraterritorial jurisdiction of the City of Baytown (the "City") and obtains water, sewer and drainage service from the City. The District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and roads to serve the District. In consideration of the District's acquiring and constructing the water, sewer and drainage systems, the City will own, operate and maintain such systems. The District shall be the owner of each phase of the systems until such phase is completed and approved by the City, at which time ownership of such phase shall be transferred to the City. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended April 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 356,977	\$ 593,716	\$	\$ 950,693
Detention ponds	2,268,415	2,018,702		4,287,117
Construction in progress	<u>42,689,863</u>	<u>13,483,968</u>	<u>14,645,538</u>	<u>41,528,293</u>
Total capital assets not being depreciated	<u>45,315,255</u>	<u>16,096,386</u>	<u>14,645,538</u>	<u>46,766,103</u>
Total capital assets, net	<u>\$ 45,315,255</u>	<u>\$ 16,096,386</u>	<u>\$ 14,645,538</u>	<u>\$ 46,766,103</u>
Changes to capital assets:				
Assets transferred to non-depreciable assets		\$ 2,612,418	\$ 2,612,418	
Assets transferred to other entities			12,033,120	
Increase in liability to developer for construction		<u>13,483,968</u>		
Net increases / decreases to capital assets		<u>\$ 16,096,386</u>	<u>\$ 14,645,538</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 3,600,000	\$ 18,400,000	\$	\$ 22,000,000	\$ 75,000
Less deferred amounts:					
For issuance premiums (discounts)	<u>(89,526)</u>	<u>(544,620)</u>	<u>(23,811)</u>	<u>(610,335)</u>	<u>(37,528)</u>
Total bonds payable	<u>3,510,474</u>	<u>17,855,380</u>	<u>(23,811)</u>	<u>21,389,665</u>	<u>37,472</u>
Bond Anticipation Note payable	<u>3,705,000</u>	<u>0</u>	<u>3,705,000</u>	<u>0</u>	<u>0</u>
Due to developers for operating advances (see below)	754,611		284,611	470,000	-----
Due to developers for construction (see below)	<u>39,078,020</u>	<u>13,483,968</u>	<u>11,033,695</u>	<u>41,528,293</u>	-----
Total due to developers	<u>39,832,631</u>	<u>13,483,968</u>	<u>11,318,306</u>	<u>41,998,293</u>	<u>0</u>
Total long-term liabilities	<u>\$ 47,048,105</u>	<u>\$ 31,339,348</u>	<u>\$ 14,999,495</u>	<u>\$ 63,387,958</u>	<u>\$ 37,472</u>

Water, sewer and drainage and refunding bonds voted	\$ 194,323,000
Water, sewer and drainage and refunding bonds approved for sale and sold	9,600,000
Water, sewer and drainage and refunding bonds voted and not issued	184,723,000

Road and refunding bonds voted	\$ 141,690,000
Road and refunding bonds approved for sale and sold	12,400,000
Road and refunding bonds voted and not issued	129,290,000

Park and recreational and refunding bonds voted	\$ 17,626,000
Park and recreational and refunding bonds approved for sale and sold	0
Park and recreational and refunding bonds voted and not issued	17,626,000



NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of April 30, 2023, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 75,000	\$ 978,963	\$ 1,053,963
2025	470,000	977,462	1,447,462
2026	490,000	950,413	1,440,413
2027	530,000	922,038	1,452,038
2028	550,000	894,987	1,444,987
2029 - 2033	3,100,000	4,030,537	7,130,537
2034 - 2038	3,860,000	3,283,938	7,143,938
2039 - 2043	4,745,000	2,421,175	7,166,175
2044 - 2048	5,940,000	1,317,887	7,257,887
2049 - 2050	2,240,000	158,750	2,398,750
	<u>\$ 22,000,000</u>	<u>\$ 15,936,150</u>	<u>\$ 37,936,150</u>

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

The bond issues payable at April 30, 2023, were as follows:

	<u>Series 2021</u>	<u>Series 2022</u>	<u>Series 2022A</u>
Amounts outstanding, April 30, 2023	\$3,600,000	\$6,000,000	\$12,400,000
Interest rates	2.00% to 3.00%	4.00% to 5.50%	4.50% to 7.00%
Maturity dates, serially beginning/ending	April 1, 2024/2048	April 1, 2025/2050	April 1, 2025/2050
Interest payment dates	October 1/April 1	October 1/April 1	October 1/April 1
Callable dates	April 1, 2029*	April 1, 2030*	April 1, 2030*

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

Water, sewer and drainage and refunding bonds voted	\$ 194,323,000
Water, sewer and drainage and refunding bonds approved for sale and sold	9,600,000
Water, sewer and drainage and refunding bonds voted and not issued	184,723,000
Road and refunding bonds voted	\$ 141,690,000
Road and refunding bonds approved for sale and sold	12,400,000
Road and refunding bonds voted and not issued	129,290,000
Park and recreational and refunding bonds voted	\$ 17,626,000
Park and recreational and refunding bonds approved for sale and sold	0
Park and recreational and refunding bonds voted and not issued	17,626,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

In accordance with the Series 2022 and 2022A Bond Orders, a portion of the bond proceeds was deposited into the debt service fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Sale of bonds, Series 2022:		
12 months' interest from sale of bonds	\$ 210,000	
Accrued interest received at date of sale	<u>17,809</u>	227,809
Sale of bonds, Series 2022A:		
12 months' interest from sale of bonds	558,000	
Accrued interest received at date of sale	<u>34,758</u>	592,758
Deduct appropriation for bond interest paid:		
Series 2022	(227,809)	
Series 2022A	<u>(260,683)</u>	<u>(488,492)</u>
Bond interest reserve, end of year:		
Series 2022	0	
Series 2022A	<u>332,076</u>	<u>\$ 332,075</u>

Developer Construction Commitments, Liabilities and Advances

Developers within the District have advanced funds to the District to cover initial operating deficits. At April 30, 2023, the cumulative amount of unreimbursed developer advances was \$470,000. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$1,277,050.

Developers within the District are constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developers for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality. The District's engineer stated that cost of the construction in progress at April 30, 2023, was \$41,528,293. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES

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

Any orders authorizing the issuance of bonds adopted by the District (the "Bond Orders") will require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At an election held May 5, 2018, the voters within the District authorized a maintenance tax not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District. The voters authorized a road maintenance tax not to exceed \$1.50 per \$100 valuation on all property subject to taxation within the District. This road maintenance tax is to be used for the operation and maintenance of a road system and related storm drainage system within the District. The voters also authorized a park and recreational facilities maintenance tax not to exceed \$0.10 per \$100 valuation on all property subject to taxation within the District. This park and recreational maintenance tax is to be used for the operation and maintenance of parks and recreational facilities within the District.

On October 18, 2022, the District levied the following ad valorem taxes for the 2022 tax year on the adjusted taxable valuation of \$108,836,412:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.5200	\$ 565,949
Maintenance	<u>0.9300</u>	<u>1,012,179</u>
	<u>\$ 1.4500</u>	<u>\$ 1,578,128</u>

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

2022 tax year total property tax levy	\$ 1,578,128
Appraisal district adjustments to prior year taxes	<u>(1,265)</u>
Statement of Activities property tax revenues	<u>\$ 1,576,863</u>

Concentration of Tax Base

The District's tax base is concentrated in a small number of taxpayers. The District's developers own a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes.

**NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS**

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

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

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

At the balance sheet date the carrying value and market value of the investments in TexSTAR was \$1,745,299.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits and temporary investments restricted by state statutes and Bond Orders:

Debt Service Fund

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

Cash	\$ 207,267
Temporary investments	<u>691,232</u>
	<u>\$ 898,499</u>

Capital Projects Fund

For construction of capital assets:

Cash	<u>\$ 347,794</u>
------	-------------------

NOTE 8: RISK MANAGEMENT

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

At April 30, 2023, the District had physical damage and boiler and machinery coverage of \$1,650,000, comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, consultant's crime coverage of \$10,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACT WITH CITY OF BAYTOWN

On July 2, 2019 (as last amended April 23, 2021), the District and the City of Baytown (the "City") entered into a 30 year agreement. Under the terms of the agreement the City agreed to sell and deliver to the District potable water and sewer treatment services to the Service Area within the District. The Service Area within the District is defined by the contract as amended. The District is required to pay to the City Impact Fees for water and sewer services for each service connection within the subdivisions included in the Service Area. At April 30, 2023, the District or its developer had paid all fees related to the active subdivisions in the District.

The District also is to pay to the City monthly water and sewer service charges. Water and sewer service charges accrued during the fiscal year ended April 30, 2023, were \$683,901.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**NOTE 10: STRATEGIC PARTNERSHIP AGREEMENTS**

Utilizing a provision of Texas law, the City of Baytown (“City”) and the District entered into a Strategic Partnership Agreement effective as of January 24, 2019 (the “SPA”). The SPA provides for the limited purpose annexation of land within the District into the City for the limited purposes of imposition of the City’s Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The term of the SPA is 30 years from the effective date, unless earlier terminated and shall be automatically extended for additional five (5) year terms unless parties provide written notice three months prior. During the term of the SPA, the City has agreed not to annex all or part of the District or commence any action to annex all or part of the District for full purposes. The District did not receive or accrue Sales and Use Tax revenues during the year ended April 30, 2023.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND  
FOR THE YEAR ENDED APRIL 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 950,000	\$ 975,000	\$ 963,079	\$ (11,921)
Water service	350,000	700,000	626,228	(73,772)
Sewer service	335,000	525,000	591,524	66,524
Penalty and other			20,938	20,938
Tap connection and sewer inspection fees	275,000	375,000	482,959	107,959
Interest on deposits		3,000	17,934	14,934
Other			<u>33,256</u>	<u>33,256</u>
<b>TOTAL REVENUES</b>	<u>1,910,000</u>	<u>2,578,000</u>	<u>2,735,918</u>	<u>157,918</u>
<b>EXPENDITURES</b>				
Service operations:				
Purchased services	475,000	625,000	683,901	58,901
Professional fees	147,500	182,500	158,100	(24,400)
Contracted services	77,500	80,000	78,986	(1,014)
Utilities	20,000	40,000	32,476	(7,524)
Repairs, maintenance and other operating expenditures	327,000	405,000	532,247	127,247
Garbage disposal	85,000	125,000	144,436	19,436
Administrative expenditures	45,500	59,930	62,712	2,782
Capital outlay	<u>250,000</u>	<u>265,000</u>	<u>334,793</u>	<u>69,793</u>
<b>TOTAL EXPENDITURES</b>	<u>1,427,500</u>	<u>1,782,430</u>	<u>2,027,651</u>	<u>245,221</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	482,500	795,570	708,267	(87,303)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>491,454</u>	<u>491,454</u>	<u>491,454</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 973,954</u>	<u>\$ 1,287,024</u>	<u>\$ 1,199,721</u>	<u>\$ (87,303)</u>

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

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

APRIL 30, 2023

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

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

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2023

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

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

2. Retail Service Providers

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$20.00	0	N	\$2.96	0 to 2,000
				7.37	2,001 to 6,000
				10.17	6,001 to 12,000
				13.24	12,001 to 18,000
				17.21	Over 18,000
WASTEWATER:	\$36.24	0	N	\$2.99	0 to 2,000
				7.41	2,001 to 12,000
				8.52	Over 12,000

SURCHARGE: N/A

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$96.08 Wastewater: \$101.50 Surcharge: \$0.00



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A

SCHEDULE OF SERVICES AND RATES (Continued)

APRIL 30, 2023

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	1,170	1,134	1.0	1,134
1"	0	0	2.5	0
1-1/2"	0	0	5.0	0
2"	11	11	8.0	88
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	2	2	80.0	160
10"	0	0	115.0	0
Total Water	<u>1,183</u>	<u>1,147</u>		<u>1,382</u>
Total Wastewater	<u>1,177</u>	<u>1,176</u>	1.0	<u>1,176</u>

\*Single family equivalents

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

Gallons pumped into system (unaudited):                      Water purchased from the City of Baytown  
 Gallons billed to customers (unaudited):                      61,545

Water Accountability Ratio  
 (Gallons billed/ gallons pumped):                      Not Applicable

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: \_\_\_\_\_

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A

EXPENDITURES

FOR THE YEAR ENDED APRIL 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Purchased services	\$ 683,901	\$ 0	\$ 0	\$ 683,901
Professional fees:				
Auditing	8,500			8,500
Legal	96,266	3,617		99,883
Engineering	52,134			52,134
Financial advisor	1,200			1,200
	<u>158,100</u>	<u>3,617</u>	<u>0</u>	<u>161,717</u>
Contracted services:				
Bookkeeping	16,913			16,913
Operation and billing	62,073			62,073
Tax assessor-collector		9,984		9,984
Central appraisal district		8,809		8,809
	<u>78,986</u>	<u>18,793</u>	<u>0</u>	<u>97,779</u>
Utilities	<u>32,476</u>	<u>0</u>	<u>0</u>	<u>32,476</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	524,290			524,290
Laboratory costs	2,470			2,470
TCEQ assessment	5,487			5,487
	<u>532,247</u>	<u>0</u>	<u>0</u>	<u>532,247</u>
Garbage disposal	<u>144,436</u>	<u>0</u>	<u>0</u>	<u>144,436</u>
Administrative expenditures:				
Director's fees	7,050			7,050
Office supplies and postage	35,370			35,370
Insurance	9,930	50		9,980
Permits	3,224			3,224
Other	7,138	1,774	845	9,757
	<u>62,712</u>	<u>1,824</u>	<u>845</u>	<u>65,381</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-AEXPENDITURES (Continued)FOR THE YEAR ENDED APRIL 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	\$	\$	\$ 11,318,306	\$ 11,318,306
Tap connection costs	334,793			334,793
	<u>334,793</u>	<u>0</u>	<u>11,318,306</u>	<u>11,653,099</u>
Interest on developer construction	<u>0</u>	<u>0</u>	<u>946,232</u>	<u>946,232</u>
<b>DEBT SERVICE</b>				
Bond issuance expenditures	<u>0</u>	<u>0</u>	<u>976,508</u>	<u>976,508</u>
Interest and fees:				
Interest		592,636		592,636
Paying agent fees		1,500		1,500
	<u>0</u>	<u>594,136</u>	<u>0</u>	<u>594,136</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,027,651</u>	<u>\$ 618,370</u>	<u>\$ 13,241,891</u>	<u>\$ 15,887,912</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED APRIL 30, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 1,636,464	\$ 610,147	\$ 1,041	\$ 2,247,652
Maintenance tax receipts		963,079		963,079
Transfer of maintenance taxes	967,570			967,570
Increase in customer and builder deposits	102,420			102,420
Proceeds from bonds		768,000	17,087,380	17,855,380
Reimbursement from other fund			6,000	6,000
Overpayments from taxpayers		<u>8,042</u>		<u>8,042</u>
<b>TOTAL DEPOSITS PROVIDED</b>	<u>2,706,454</u>	<u>2,349,268</u>	<u>17,094,421</u>	<u>22,150,143</u>
<b>APPLICATIONS OF DEPOSITS</b>				
Cash disbursements for:				
Current expenditures	1,561,448	24,234	845	1,586,527
Capital outlay	334,793		12,264,538	12,599,331
Debt service		594,136	976,508	1,570,644
Prepaid expenditures	40,000			40,000
Transfer of maintenance taxes		967,570		967,570
Impact fees paid to City				0
Reimbursement to other fund	6,000			6,000
BAN repayment			3,705,000	3,705,000
Refund of taxpayer overpayments		<u>8,042</u>		<u>8,042</u>
<b>TOTAL DEPOSITS APPLIED</b>	<u>1,942,241</u>	<u>1,593,982</u>	<u>16,946,891</u>	<u>20,483,114</u>
<b>INCREASE (DECREASE) IN DEPOSITS</b>	764,213	755,286	147,530	1,667,029
<b>DEPOSITS BALANCES, BEGINNING OF YEAR</b>	<u>448,500</u>	<u>143,213</u>	<u>200,264</u>	<u>791,977</u>
<b>DEPOSITS BALANCES, END OF YEAR</b>	<u>\$ 1,212,713</u>	<u>\$ 898,499</u>	<u>\$ 347,794</u>	<u>\$ 2,459,006</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-ATAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED APRIL 30, 2023

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 29,277	\$ 6,099
Additions and corrections to prior year taxes	<u>(1,048)</u>	<u>(217)</u>
Adjusted receivable, beginning of year	28,229	5,882
2022 ADJUSTED TAX ROLL	<u>1,012,179</u>	<u>565,949</u>
Total to be accounted for	1,040,408	571,831
Tax collections: Current tax year	(934,850)	(522,712)
Prior tax years	<u>(28,229)</u>	<u>(5,881)</u>
RECEIVABLE, END OF YEAR	<u>\$ 77,329</u>	<u>\$ 43,238</u>
RECEIVABLE, BY TAX YEAR		
2022	<u>\$ 77,329</u>	<u>\$ 43,238</u>
RECEIVABLE, END OF YEAR	<u>\$ 77,329</u>	<u>\$ 43,238</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-ATAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED APRIL 30, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 31,055,755	\$ 14,371,890	\$ 726,687	\$ 25,720
Improvements	83,281,136	27,651,753	367,531	167,470
Personal property	415,337	6,658,373	2,605,833	3,307,735
Less exemptions	<u>(5,915,816)</u>	<u>(7,513,421)</u>	<u>(2,708,570)</u>	<u>(3,071,264)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 108,836,412</u>	<u>\$ 41,168,595</u>	<u>\$ 991,481</u>	<u>\$ 429,661</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.52000	\$ 0.25000	\$ 0.00000	\$ 0.00000
Maintenance tax rates*	<u>0.93000</u>	<u>1.20000</u>	<u>1.45000</u>	<u>1.45000</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.45000</u>	<u>\$ 1.45000</u>	<u>\$ 1.45000</u>	<u>\$ 1.45000</u>
TAX ROLLS	<u>\$ 1,578,128</u>	<u>\$ 596,945</u>	<u>\$ 14,376</u>	<u>\$ 9,159</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>92.4 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

\*Maximum tax rate approved by voters on May 5, 2018: \$1.50

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS  
FOR THE YEAR ENDED APRIL 30, 2023

Due During Fiscal Years Ending April 30	Series 2021		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$ 75,000	\$ 96,875	\$ 171,875
2025	75,000	95,375	170,375
2026	75,000	93,875	168,875
2027	100,000	92,375	192,375
2028	100,000	90,375	190,375
2029	100,000	88,375	188,375
2030	100,000	86,125	186,125
2031	100,000	83,875	183,875
2032	125,000	81,500	206,500
2033	125,000	78,375	203,375
2034	125,000	75,250	200,250
2035	125,000	72,125	197,125
2036	150,000	69,000	219,000
2037	150,000	65,250	215,250
2038	150,000	61,500	211,500
2039	150,000	57,375	207,375
2040	150,000	53,250	203,250
2041	175,000	48,750	223,750
2042	175,000	43,500	218,500
2043	175,000	38,250	213,250
2044	200,000	33,000	233,000
2045	200,000	27,000	227,000
2046	225,000	21,000	246,000
2047	225,000	14,250	239,250
2048	250,000	7,500	257,500
<b>TOTALS</b>	<b>\$ 3,600,000</b>	<b>\$ 1,574,125</b>	<b>\$ 5,174,125</b>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
FOR THE YEAR ENDED APRIL 30, 2023

Due During Fiscal Years Ending April 30	Series 2022		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$	\$ 256,450	\$ 256,450
2025	140,000	256,450	396,450
2026	145,000	248,750	393,750
2027	150,000	240,776	390,776
2028	155,000	232,524	387,524
2029	160,000	224,000	384,000
2030	165,000	215,200	380,200
2031	175,000	206,950	381,950
2032	180,000	198,200	378,200
2033	185,000	189,200	374,200
2034	195,000	181,800	376,800
2035	200,000	174,000	374,000
2036	210,000	166,000	376,000
2037	220,000	157,600	377,600
2038	225,000	148,800	373,800
2039	235,000	139,800	374,800
2040	245,000	130,400	375,400
2041	255,000	120,600	375,600
2042	260,000	110,400	370,400
2043	275,000	100,000	375,000
2044	285,000	89,000	374,000
2045	295,000	77,600	372,600
2046	305,000	65,800	370,800
2047	315,000	53,600	368,600
2048	330,000	41,000	371,000
2049	340,000	27,800	367,800
2050	355,000	14,200	369,200
TOTALS	<u>\$ 6,000,000</u>	<u>\$ 4,066,900</u>	<u>\$ 10,066,900</u>

See accompanying independent auditor's report.



HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
FOR THE YEAR ENDED APRIL 30, 2023

Due During Fiscal Years Ending April 30	Series 2022A		
	Principal Due April 1	Interest Due October 1, April 1	Total
2024	\$	\$ 625,638	\$ 625,638
2025	255,000	625,637	880,637
2026	270,000	607,788	877,788
2027	280,000	588,887	868,887
2028	295,000	572,088	867,088
2029	310,000	554,387	864,387
2030	320,000	535,788	855,788
2031	335,000	516,587	851,587
2032	350,000	496,488	846,488
2033	370,000	475,487	845,487
2034	385,000	458,838	843,838
2035	405,000	441,511	846,511
2036	420,000	423,288	843,288
2037	440,000	404,388	844,388
2038	460,000	384,588	844,588
2039	485,000	363,888	848,888
2040	505,000	340,850	845,850
2041	530,000	316,862	846,862
2042	550,000	291,688	841,688
2043	580,000	265,562	845,562
2044	605,000	238,012	843,012
2045	630,000	209,275	839,275
2046	660,000	179,350	839,350
2047	690,000	148,000	838,000
2048	725,000	113,500	838,500
2049	755,000	77,250	832,250
2050	790,000	39,500	829,500
TOTALS	<u>\$ 12,400,000</u>	<u>\$ 10,295,125</u>	<u>\$ 22,695,125</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
FOR THE YEAR ENDED APRIL 30, 2023

Annual Requirements for All Series			
Due During Fiscal Years Ending April 30	Total Principal Due	Total Interest Due	Total
2024	\$ 75,000	\$ 978,963	\$ 1,053,963
2025	470,000	977,462	1,447,462
2026	490,000	950,413	1,440,413
2027	530,000	922,038	1,452,038
2028	550,000	894,987	1,444,987
2029	570,000	866,762	1,436,762
2030	585,000	837,113	1,422,113
2031	610,000	807,412	1,417,412
2032	655,000	776,188	1,431,188
2033	680,000	743,062	1,423,062
2034	705,000	715,888	1,420,888
2035	730,000	687,636	1,417,636
2036	780,000	658,288	1,438,288
2037	810,000	627,238	1,437,238
2038	835,000	594,888	1,429,888
2039	870,000	561,063	1,431,063
2040	900,000	524,500	1,424,500
2041	960,000	486,212	1,446,212
2042	985,000	445,588	1,430,588
2043	1,030,000	403,812	1,433,812
2044	1,090,000	360,012	1,450,012
2045	1,125,000	313,875	1,438,875
2046	1,190,000	266,150	1,456,150
2047	1,230,000	215,850	1,445,850
2048	1,305,000	162,000	1,467,000
2049	1,095,000	105,050	1,200,050
2050	1,145,000	53,700	1,198,700
TOTALS	<u>\$ 22,000,000</u>	<u>\$ 15,936,150</u>	<u>\$ 37,936,150</u>

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED APRIL 30, 2023

	(1)	(2)	(3)	Totals
Bond Series:	2021	2022	2022A	
Interest Rate:	2.00% to 3.00%	4.00% to 5.50%	4.50% to 7.00%	
Dates Interest Payable:	October 1/ April 1	October 1/ April 1	October 1/ April 1	
Maturity Dates:	April 1, 2024/2048	April 1, 2025/2050	April 1, 2025/2050	
Bonds Outstanding at Beginning of Current Year	\$ 3,600,000	\$ 0	\$ 0	\$ 3,600,000
Add Bonds Sold		6,000,000	12,400,000	18,400,000
Less Retirements	0	0	0	0
Bonds Outstanding at End of Current Year	\$ 3,600,000	\$ 6,000,000	\$ 12,400,000	\$ 22,000,000
Current Year Interest Paid	\$ 96,875	\$ 235,079	\$ 260,682	\$ 592,636

Bond Descriptions and Original Amount of Issue

- (1) Harris County Municipal Utility District No. 213-A Unlimited Tax Bonds, Series 2021 (\$3,600,000)
- (2) Harris County Municipal Utility District No. 213-A Unlimited Tax Bonds, Series 2022 (\$6,000,000)
- (3) Harris County Municipal Utility District No. 213-A Unlimited Tax Road Bonds, Series 2022A (\$12,400,000)

Paying Agent/Registrar

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

Bond Authority	Utility Bonds*	Road Bonds*	Park Bonds*
Amount Authorized by Voters:	\$ 194,323,000	\$ 141,690,000	\$ 17,626,000
Amount Issued:	9,600,000	12,400,000	0
Remaining to be Issued:	184,723,000	129,290,000	17,626,000

\*May also be used for refunding.

Net Debt Service Fund deposits and investments balances as of April 30, 2023: \$ 896,549  
Average annual debt service payment for remaining term of all debt: 1,405,043

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND

FOR YEARS ENDED APRIL 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2023</u>	<u>2022*</u>	<u>2021</u>	<u>2020</u>	<u>2019**</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>										
Property taxes	\$ 963,079	\$ 465,794	\$ 22,696	\$ 6,076	\$ 1,589	35.1 %	32.6 %	4.7 %	6.7 %	93.6 %
Water service	626,228	338,727	145,669	8,741		22.9	23.7	29.9	9.6	
Sewer service	591,524	323,051	114,256	4,059		21.6	22.7	23.5	4.4	
Penalty and other	20,938	15,513	3,459	511	94	0.8	1.1	0.7	0.6	5.5
Tap connection and sewer inspection fees	482,959	270,440	183,320	71,220		17.7	19.0	37.5	78.0	
Interest on deposits	17,934	9	289	37	15	0.7	0.0	0.1	0.0	0.9
Other	<u>33,256</u>	<u>12,280</u>	<u>17,519</u>	<u>700</u>		<u>1.2</u>	<u>0.9</u>	<u>3.6</u>	<u>0.8</u>	
<b>TOTAL REVENUES</b>	<u>2,735,918</u>	<u>1,425,814</u>	<u>487,208</u>	<u>91,344</u>	<u>1,698</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.1</u>	<u>100.0</u>
<b>EXPENDITURES</b>										
Current:										
Purchased services	683,901	324,947	203,144	21,517		24.9	22.7	41.6	23.6	
Professional fees	158,100	133,745	140,129	61,286	96,788	5.8	9.4	28.8	67.2	5700.2
Contracted services	78,986	63,475	34,540	9,124	7,011	2.9	4.5	7.1	10.0	412.9
Utilities	32,476	17,313	7,067			1.2	1.2	1.5		
Repairs, maintenance and other operating expenditures	532,247	250,248	177,360	69,683		19.5	17.5	36.4	76.4	
Garbage disposal	144,436	69,894	25,948			5.3	4.9	5.3		
Administrative expenditures	62,712	35,028	20,649	5,877	9,517	2.3	2.5	4.2	6.4	560.5
Capital outlay	<u>334,793</u>	<u>208,920</u>	<u>166,390</u>	<u>33,855</u>		<u>12.2</u>	<u>14.7</u>	<u>34.2</u>	<u>37.1</u>	
<b>TOTAL EXPENDITURES</b>	<u>2,027,651</u>	<u>1,103,570</u>	<u>775,227</u>	<u>201,342</u>	<u>113,316</u>	<u>74.1</u>	<u>77.4</u>	<u>159.1</u>	<u>220.7</u>	<u>6673.6</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>\$ 708,267</u>	<u>\$ 322,244</u>	<u>\$ (288,019)</u>	<u>\$ (109,998)</u>	<u>\$ (111,618)</u>	<u>25.9 %</u>	<u>22.6 %</u>	<u>(59.1) %</u>	<u>(120.6) %</u>	<u>(6573.6) %</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>1,147</u>	<u>547</u>	<u>312</u>	<u>86</u>	<u>0</u>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>1,176</u>	<u>544</u>	<u>309</u>	<u>83</u>	<u>0</u>					

\*District was funded by developer advances for fiscal years 2022 and prior.

\*\*First year of financial activity.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED APRIL 30

	<u>AMOUNT</u>		<u>PERCENT OF TOTAL REVENUES</u>	
	<u>2023</u>	<u>2022*</u>	<u>2023</u>	<u>2022</u>
REVENUES				
Property taxes	\$ 528,593	\$ 97,041	86.6 %	91.9 %
Penalty and interest	10,374	842	1.7	0.8
Accrued interest on bonds received at date of sale	52,567	7,535	8.6	7.1
Interest on deposits	<u>18,613</u>	<u>182</u>	<u>3.1</u>	<u>0.2</u>
TOTAL REVENUES	<u>610,147</u>	<u>105,600</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES				
Current:				
Professional fees	3,617	0	0.6	0.0
Contracted services	18,793	11,092	3.1	10.5
Other expenditures	1,824	2,440	0.3	2.3
Debt service:				
Principal retirement	0	0	0.0	0.0
Interest and fees	<u>594,136</u>	<u>72,656</u>	<u>97.3</u>	<u>68.8</u>
TOTAL EXPENDITURES	<u>618,370</u>	<u>86,188</u>	<u>101.3</u>	<u>81.6</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ (8,223)</u>	<u>\$ 19,412</u>	<u>(1.3) %</u>	<u>18.4 %</u>

\*First year of financial activity.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-ABOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSAPRIL 30, 2023

Complete District Mailing Address: Harris County Municipal Utility District No. 213-A  
c/o Coats Rose, P.C.  
9 Greenway Plaza, Suite 1000  
Houston, Texas 77046

District Business Telephone No.: 713-651-0111

Submission date of the most recent District Registration Form: May 4, 2022

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
James Coursey c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/07/22- 5/02/26	\$ 1,650	\$ 0	President
Jacob Saour c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/02/20- 5/04/24	900	0	Vice President
W. Fritz Maxwell c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/02/20- 5/04/24	1,650	0	Secretary
Alexander Soler c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/07/22- 5/02/26	1,650	0	Assistant Secretary
James Randy Bowles c/o Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	Elected 5/07/22- 5/02/26	1,200	0	Assistant Secretary

See accompanying independent auditor's report.

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 213-A  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

APRIL 30, 2023

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 9 Greenway Plaza, Suite 1000 Houston, Texas 77046	2/01/18	\$ 99,882 452,419 Bonds	Attorney
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	2/01/18	18,501 8,000 Bonds	Bookkeeper
Myrtle Cruz, Inc. 3401 Louisiana, Suite 400 Houston, Texas 77002	2/01/18	0	Investment Officer
Municipal Operations & Consulting, Inc. 27316 Spectrum Way Oak Ridge, Texas 77385	11/28/18	919,949	Operator
Quiddity Engineering LLC 6330 West Loop South, Suite 150 Bellaire, Texas 77401	2/01/18	52,134 55,563 Bonds	Engineer
Assessments of the Southwest, Inc. P.O. Box 1368 Friendswood, Texas 77546	7/25/18	11,209	Tax Assessor- Collector
Harris Central Appraisal District P.O. Box 900275 Houston, Texas 77292	Legislative Action	8,809	Central Appraisal District
The GMS Group, L.L.C. 5075 Westheimer, Suite 1175 Houston, Texas 77056	2/01/18	1,200 372,050 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	9/23/20	8,500 10,400 Bonds	Independent Auditor

See accompanying independent auditor's report.

**APPENDIX B**

**PHOTOGRAPHS TAKEN IN THE DISTRICT**









APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

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

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

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