

OFFICIAL STATEMENT DATED MARCH 12, 2018

IN THE OPINION OF BOND COUNSEL, SUBJECT TO THE MATTERS DESCRIBED IN “TAX MATTERS” HEREIN, INTEREST ON THE BONDS FOR FEDERAL INCOME TAX PURPOSES IS EXCLUDABLE FROM GROSS INCOME UNDER EXISTING LAW, AND IS NOT INCLUDED IN COMPUTING THE ALTERNATIVE MINIMUM TAXABLE INCOME OF THE OWNERS THEREOF WHO ARE INDIVIDUALS OR, EXCEPT AS DESCRIBED HEREIN, CORPORATIONS. SEE “TAX MATTERS” HEREIN.

The District designated the Bonds as “Qualified Tax-Exempt Obligations.” See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein.

NEW ISSUE—BOOK-ENTRY-ONLY
CUSIP No. 364224

RATINGS: Underlying “A-” (stable outlook) / Insured “AA” (stable outlook) S&P
See “BOND INSURANCE” and “MUNICIPAL BOND RATING” herein

\$4,720,000
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT No. 6
(A political subdivision of the State of Texas, located in Galveston County, Texas)
UNLIMITED TAX BONDS
SERIES 2018

Dated: April 1, 2018

Due: September 1 (as shown below)

Interest on the Bonds (the “Bonds” or the “Series 2018 Bonds”) will accrue from April 1, 2018, and will be payable on September 1 and March 1 of each year, commencing September 1, 2018. 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 ZB, National Association, dba Amegy Bank, Houston, Texas. See “THE BONDS – Paying Agent/Registrar.”

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



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$195,000	2019	2.00%	1.75%	\$400,000	2025(b)	2.250%	2.65%
\$350,000	2020	2.00%	1.95%	\$425,000	2026(b)	2.375%	2.80%
\$375,000	2021	2.00%	2.05%	\$425,000	2027(b)	2.500%	2.90%
\$375,000	2022	2.00%	2.20%	\$450,000	2028(b)	2.750%	3.00%
\$400,000	2023	2.00%	2.35%	\$450,000	2029(b)	3.000%	3.10%
\$400,000	2024(b)	2.00%	2.50%	\$475,000	2030(b)	3.000%	3.15%

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriters (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after September 1, 2024, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on September 1, 2023, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS—Optional Redemption.”

The proceeds of the Bonds will be used by Galveston County Municipal Utility District No. 6 (the “District”) to: (1) reimburse the Developer (as defined herein) for reimbursable water, sewer, and drainage costs associated with Magnolia Creek Sections 11 and 12; (2) reimburse the developer for certain capital recovery costs previously paid to the City of League City; (3) pay developer interest as approved by the TCEQ; (4) fund approximately 6 months’ capitalized interest; and (5) pay certain administrative costs and costs incurred in connection with 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, Galveston County, the City of League City, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Galveston County, or the City of League City, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel. The Issuer will be advised on certain legal matters concerning disclosure by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about April 12, 2018.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

UNDERWRITING

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 97.052039% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 2.928351%, 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.

SALE AND DISTRIBUTION OF THE BONDS

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 the Bonds of each maturity have been sold or offered to the public. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. 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 WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Securities Laws:

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities Exchange Commission 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. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds 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.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District has made application to S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P") which has assigned a rating of "A-" (stable outlook) 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 S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the S&P rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if in the judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P is expected to assign 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 Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" and "APPENDIX B."

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2017, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$515 million, \$87.7 million and \$427.3 million, respectively.

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

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

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditisights/. (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 buildamerica.com/obligor/. 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 information is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

- Description:** Galveston County Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2018 (herein the "Bonds" or the "Series 2018 Bonds"), issued pursuant to an order (the "Bond Order") of the Board of Directors of Galveston County Municipal Utility District No. 6 (the "District"). The Bonds mature September 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds is payable on September 1, 2018, and each March 1 and September 1 thereafter until maturity or prior redemption.
- Book-Entry-Only System:** The definitive 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."
- Redemption Provisions:** The Bonds maturing on or after September 1, 2024, are callable in whole or in part, at the option of the District, on September 1, 2023, or on any date thereafter, at a price equal to par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption."
- Authority for Issuance:** The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended. See "THE BONDS – Authority for Issuance."
- Sources of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. See "TAX PROCEDURES." With respect to payment from taxes, the Bonds are further payable equally and ratably with outstanding bonds and bonds to be issued in the future by the District. See "THE BONDS - Sources of and Security for Payment." The Bonds are obligations of the District, and are not obligations of League City, the State of Texas, Galveston County, Texas, or any other political subdivision or agency.
- Municipal Bond Rating:** In connection with the sale of the Bonds the District has made application to S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P") which has assigned a rating of "A-" (stable outlook) 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 S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING," "BOND INSURANCE," and "APPENDIX B."
- Municipal Bond Insurance:** S&P is expected to assign 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 Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND RATING," "BOND INSURANCE," and "APPENDIX B."
- Use of Proceeds:** Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer (as defined herein) for reimbursable water, sewer, and drainage costs associated with Magnolia Creek Sections 11 and 12; (2) reimburse the developer for certain capital recovery costs previously paid to League City; (3) pay developer interest as approved by the Texas Commission on Environmental Quality ("TCEQ"); (4) fund approximately 6 months capitalized interest; and (5) to pay certain administrative costs and costs incurred in connection with the issuance of the Bonds. See "USE OF BOND PROCEEDS."

Qualified Tax Exempt Obligations:

The District designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and the District represents that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2018 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

Payment Record:

The District has never defaulted in the payment of principal of or interest on its bonds.

Paying Agent/Registrar:

ZB, National Association, dba Amegy Bank, in Houston, Texas.

Legal Opinions:

Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel.

Risk Factors:

The Bonds are subject to certain risk factors 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 section captioned "RISK FACTORS."

THE DISTRICT

Description:

The District, a political subdivision of the State of Texas, created in 1979, is located in Galveston County, Texas approximately five-miles south of the Houston city limits, approximately 24 miles south of the Houston Central Business District, and wholly within the corporate limits of League City, Texas. The District lies approximately ½ mile west of Interstate Highway 45 and is divided east to west by Farm to Market Road 518 ("FM 518"). The District contains approximately 865 acres of land (of which approximately 24 acres are situated north of FM 518) and serves The Landing subdivision ("The Landing"), Claremont Park subdivision ("Claremont Park"), Brittany Lakes subdivision ("Brittany Lakes"), a portion of Magnolia Creek subdivision (Sections 9 – 15) ("Magnolia Creek"), and certain adjacent commercial reserves. See "THE DISTRICT."

Development of the District:

As of January 1, 2018, the District contained 2,379 completed homes, 45 homes under construction and 135 vacant developed single family lots. Land within the District has been developed as The Landing, Sections 1, 2, and 3; Claremont Park, Sections 1 – 5; Brittany Lakes, Sections 7-16; and Magnolia Creek, Section 9 – 12 and 14 - 15. In addition, the District serves approximately 26.8 acres of commercial reserves in the District on both the north and south sides of FM 518 and two homes adjacent to The Landing, Section 1. Commercial building development in the District includes a Walmart neighborhood market, an Autozone shop, a mini storage unit, an Alzheimer's nursing home, two office buildings, a shopping center with a convenience store, gas station, daycare center, and a CVS Pharmacy. Approximately 13.29 acres in the District have been developed as part of the 27-hole Magnolia Creek golf course. See "THE DISTRICT – Current Status of Residential Development in the District" and "Historical Development in the District."

Developer and Principal Land Owner:

MHWS Development, LLC ("MHWS" or the "Developer") developed land in the Magnolia Creek subdivision within the District. MHWS has completed the land development of Magnolia Creek, Sections 9 - 15 in the District. Sections 14 and 15 are developed and in the process of being built-out with homes being constructed by Lennar Homes, CalAtlantic Homes, and Perry Homes. MHWS does not own any additional undeveloped but developable acres within the District. See "THE DISTRICT – Historical Development in the District."

SELECTED FINANCIAL INFORMATION
(Unaudited)

1/1/2018 Estimated Taxable Value	\$546,491,238	(a)
2017 Certified Taxable Value	\$506,807,840	(b)
Direct Debt (See "DISTRICT DEBT")		
Outstanding Bonds (as of January 1, 2018)	\$7,050,000	
The Bonds	<u>\$4,720,000</u>	
Total Direct Debt	\$11,770,000	
Estimated Overlapping Debt	<u>\$39,924,131</u>	
Direct and Estimated Overlapping Debt	\$51,694,131	
Percentage of Direct Debt to:		
1/1/2018 Estimated Taxable Value	2.15%	
2017 Certified Taxable Value	2.32%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
1/1/2018 Estimated Taxable Value	9.46%	
2017 Certified Taxable Value	10.20%	
See "DISTRICT DEBT"		
2017 Tax Rate Per \$100 of Assessed Value		
Debt Service	\$0.393	
Maintenance Tax	<u>\$0.027</u>	
Total 2017 Tax Rate	\$0.420	
Cash and Temporary Investment Balances as of 11/3/2017		
General Fund	\$176,335	
Debt Service Fund	\$1,020,941	(c)

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- (a) Reflects data supplied by the Galveston Central Appraisal District ("GalCAD"). The Estimated Taxable Value as of 1/1/2018 was prepared by GalCAD and provided to the District. Such values are not binding on GalCAD and the new values added (subsequent to January 1, 2017) will not be included on the District's tax roll until the 2018 tax roll is prepared and certified by GalCAD during the second half of 2018. See "TAX DATA" and "TAX PROCEDURES."
- (b) Reflects data supplied by GalCAD. The Certified Taxable Value was prepared by GalCAD and provided to the District. See "TAX DATA" and "TAX PROCEDURES."
- (c) Unaudited figure per the District's records. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Adequacy for Debt Service."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the District's Outstanding Bonds plus the debt service requirements on the Bonds.

Year	Existing Debt Service Requirements	Plus: Debt Service on the Bonds		Total Debt Service Requirements
		Principal	Interest	
2018	\$1,880,587		\$46,559	\$1,880,587
2019	\$1,898,262	\$195,000	\$111,743	\$2,205,005
2020	\$1,187,824	\$350,000	\$107,843	\$1,662,261
2021	\$852,675	\$375,000	\$100,843	\$1,342,487
2022	\$841,850	\$375,000	\$93,343	\$1,321,350
2023	\$674,775	\$400,000	\$85,843	\$1,168,962
2024	<u>\$667,787</u>	\$400,000	\$77,843	\$1,150,974
2025		\$400,000	\$69,843	\$472,187
2026		\$425,000	\$60,843	\$486,187
2027		\$425,000	\$50,750	\$474,500
2028		\$450,000	\$40,125	\$487,812
2029		\$450,000	\$27,750	\$475,437
2030		<u>\$475,000</u>	<u>\$14,250</u>	<u>\$488,062</u>
TOTALS	\$8,003,760	\$4,720,000	\$887,578	\$13,611,338

Maximum Annual Debt Service Requirements (2019)	\$2,205,005
\$0.43 Tax Rate on the 1/1/2018 Estimated Taxable Valuation of \$546,491,238 @ 95% collections produces	\$2,232,417
\$0.46 Tax Rate on the 2017 Taxable Valuation of \$506,807,840 @ 95% collections produces	\$2,214,750

**OFFICIAL STATEMENT
relating to**

\$4,720,000

**Galveston County Municipal Utility District No. 6
(A political subdivision of the State of Texas, located within Galveston County, Texas)**

**UNLIMITED TAX BONDS,
SERIES 2018**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of Galveston County Municipal Utility District No. 6, Unlimited Tax Bonds, Series 2018 (the "Bonds").

The Bonds are issued pursuant to the constitution and general laws of the State of Texas, and pursuant to an order (the "Bond Order") adopted by the Board of Directors of Galveston County Municipal Utility District No. 6 (the "District"), a conservation and reclamation district and political subdivision of the State of Texas located within Galveston County, Texas., and a resolution of the City of League City ("League City") granting its consent to the issuance of the Bonds.

This Official Statement includes descriptions of the Bonds, Use of Proceeds, the Bond Order, and certain information about the District and its financial condition and status of development. 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 by requesting such in writing to the Bond Counsel.

RISK FACTORS

General:

The security for payment of the Bonds depends on the District's ability to collect taxes levied against property within the District in an amount sufficient to pay debt service on the Bonds when due. The District makes no representation that over the term of the Bonds taxable property within the District will maintain values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property if the District forecloses on property to enforce its tax lien. Further, the collection of delinquent taxes owed the District and the enforcement by a bondholder of the District's obligation to collect sufficient taxes may be costly and lengthy processes. See " – Tax Collections" and " – Registered Owners' Remedies" herein and "THE BONDS – Sources of and Security for Payment."

Tax Collections:

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through foreclosure may be impaired by: (a) repetitive, annual, and expensive collections 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. See "TAX PROCEDURES."

Dependence on Future Development and Potential Impact on District Tax Rates:

The District's 2017 tax rate was \$0.42 per \$100 of assessed valuation. At the present time, tax rates in excess of \$1.50 per \$100 of assessed valuation are not common among the majority of utility districts in the Houston area, although many newly activated districts are presently projecting tax rates in the range of \$1.35 to \$1.50 per \$100. Any increase in the District's tax rate substantially above the \$1.50 level could adversely impact the maintenance of assessed values in the District and the District's ability to collect such tax.

The maintenance of the District's tax base is directly related to the housing industry in general and the demand for residential lots in the District in particular. The housing industry has historically been a cyclical industry, affected by both short-term and long-term interest rates, demand for developed property, availability of mortgage and development funds, labor conditions, the rate of foreclosure and general economic conditions. In the mid-1980's the downturn in the Houston-area economy and concurrent increases in unemployment substantially reduced the demand for new housing. In many instances, homeowners turned homes back to mortgage companies because of a negative equity position and, consequently, many repossessed homes were resold at substantially reduced prices. The demand for single-family homes in the District, which is 22 miles south of downtown Houston, also could be affected by competition from nearby residential developments, many of which contain newer homes than the District. In addition to competition for new home sales from other developments, there are numerous previously owned homes in more established neighborhoods and/or in more favorable locations closer to downtown Houston that have been or are on the market at prices comparable to prices of new and previously owned homes within the District. Such previously owned homes represent additional competition for homes to be sold within the District.

The development industry in the Houston area is competitive, and the District can give no assurance that any additional building and development of land within the District will be successfully implemented. Both the local demand for, and the relative performance of developers in the sale of residential lots and the performance of prospective home builders in the construction of single-family homes are affected by most of the factors discussed herein and will directly affect the growth and maintenance of taxable values in the District and the ability of the District to raise tax revenues sufficient to pay its debt service requirements.

Assuming no further residential construction within the District other than that which has already been built, and the maintenance of current assessed values, the value of such land and improvements currently located within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement on the Bonds will be \$2,205,005 (2019). If no growth in value were to occur beyond the 1/1/2018 Estimated Taxable Value of \$546,491,238 as provided by GalCAD, a \$0.43 debt service tax rate would be required. If no growth in value were to occur beyond the 2017 Certified Taxable Value of \$506,807,840 as provided by GalCAD, a \$0.46 debt service tax rate would be required. See "TAX DATA - Tax Adequacy for Debt Service."

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.

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). Low oil and natural gas prices may negatively affect the demand for residential home construction and commercial development and hence the growth and maintenance of property values in the Houston area. 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 maintenance and 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 homes.

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 home sales in the District.

Authorization of the Bonds:

On September 13, 2003, the District voters authorized unlimited tax bonds to be issued for the purpose of providing waterworks, sanitary sewer and drainage facilities to land within the District or for refunding outstanding bonds in the amount of \$36,550,000. After the issuance of the Bonds, the District will have \$23,620,000 in authorized but unissued bonds remaining from the above referenced authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, a resolution of League City granting its consent to the issuance of the Bonds, and an approving order of the Texas Commission on Environmental Quality ("TCEQ").

Issuance of Additional Debt:

If authorized by the District's voters and by the Board of Directors of the District, and with the approval of the TCEQ and League City, the District may issue bonds necessary to construct improvements for which the District was created. See "THE DISTRICT." The District's voters have previously authorized the issuance of \$60,550,000 principal amount of bonds (of which \$23,620,000 remain authorized and unissued after issuance of the Bonds) for the purpose of providing waterworks, sanitary sewer, and drainage facilities to land within the District or for refunding outstanding bonds, and may authorize additional amounts in future elections. See "RISK FACTORS – Future Debt." The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District.

Financing Parks and Recreational Facilities:

The District may levy an operation and maintenance tax to support parks and recreational facilities at a rate not to exceed \$0.10 cents per \$100 of assessed valuation of taxable property in the District, after such tax is approved at an election. In addition, the District is authorized to issue bonds payable from an ad valorem tax to pay for the development and maintenance of parks and recreational facilities if (i) the District duly adopts a park plan; (ii) the bonds are authorized at an election; (iii) the bonds payable from any source do not exceed the lesser of one percent (1%) of the value of the taxable property in the District at the time of issuance of the bonds or the estimated cost of the park plan; (iv) the District obtains any necessary governmental consents allowing the issuance of such bonds; and (v) the bonds are approved by the Attorney General of Texas. The District may issue bonds for such purposes payable solely from net operating revenues without an election. The issuance of such bonds is subject to rules and regulations to be adopted by the TCEQ.

The District has not considered calling an election for such purposes but could consider doing so in the future.

Current law may be changed in a manner to increase the amount of bonds which 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.

Environmental Regulations

Construction of wastewater treatment, water supply, and storm sewer facilities 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. Upon completion and acceptance of such facilities, they are transferred to the City of League City for operation. See “Utility Agreement Between the District and the City of League City.”

- 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/Greenhouse Gas Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act (“CAA”) Amendments of 1990, the eight-county Houston Galveston area (“HGB area”)—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty counties—was designated by the EPA in 2008 as a severe ozone nonattainment area under the 1997 “eight-hour” ozone standards (“the 1997 Ozone Standards”). In December 2015, the EPA determined that the HGB area has reached attainment under the 1997 Ozone Standards, and in May 2016, the EPA issued a proposed rule approving Texas’s re-designation substitute demonstration for the HGB area. However, until the EPA issues a final ruling, the HGB area is still subject to anti-backsliding obligations and nonattainment new source review requirements associated with the 1997 Ozone Standards.

In 2008, the EPA lowered the ozone standard from 80 parts per billion (“ppb”) to 75 ppb (“the 2008 Ozone Standard”), and designated the HGB area as a marginal ozone nonattainment area, effective July 20, 2012. Such nonattainment areas are required to demonstrate progress in reducing ozone concentrations each year until the EPA’s 2008 Ozone Standard is met. The HGB area did not reach attainment under the 2008 Ozone Standard by the 2016 deadline, and on September 21, 2016, the EPA proposed to reclassify the HGB area from marginal to moderate under the 2008 Ozone Standard. If reclassified, the HGB area’s 2008 Ozone Standard attainment deadline must be met as expeditiously as practicable, but in any event no later than July 20, 2018. If the HGB area fails to demonstrate progress in reducing ozone concentration or fails to meet the EPA’s 2008 Ozone Standard, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects, as well as severe emissions offset requirements on new major sources of air emissions for which construction has not already commenced.

On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion to 70 ppb (“the 2015 Ozone Standard”). On August 3, 2016, the TCEQ recommended to the EPA that all counties designated as nonattainment for the 2008 Ozone Standard be designated nonattainment for the 2015 Ozone Standard as well, which will impose additional ozone-reduction obligations on the HGB area. This could make it more difficult for the HGB area to demonstrate progress in reducing ozone concentration. The EPA intends to release the final 2015 Ozone Standard attainment designations by October 1, 2018.

In order to comply with the EPA’s ozone standards for the HGB area, the TCEQ has established a state implementation plan (“SIP”) 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. It is possible that additional controls will be necessary to allow the HGB area to reach attainment by the EPA’s attainment deadlines. These additional controls could have negative impact on the HGB area’s economic growth and development.

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."

Marketability:

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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as such bonds are generally bought, sold or traded in the secondary market.

Bond Insurance Investment Considerations:

If a bond insurance policy is obtained securing principal of and interest on the Bonds, 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 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 optional prepayment of the Bonds by the issuer that 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 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 of and interest on the Bonds does not accelerate 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 claims-paying ability. The Bond Insurer's financial strength and claims-paying ability are predicated upon a number of factors that 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 governing insolvency of insurance companies.

Neither the District nor Underwriter has 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 District 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.

Hurricane Harvey:

The Houston area (including Galveston County) sustained widespread rain and flooding damage as a result of Hurricane Harvey's landfall along the Texas gulf coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. According to the observations of the District's Board of Directors and the District's Engineer, the System serving the District did not sustain any significant damage and there was no interruption of water and sewer service in the District. According to observations of the District's Board Members and input from the managers of the homeowners association operating within the District, approximately 115 homes in the District experienced minor flooding (1 to 6 inches of water in homes). Substantially all of the homes that experienced flooding have been rehabilitated or are still in the process of being rehabilitated. It did not appear that any of the commercial connections in the District sustained water damage.

On or about August 23, 2017, in anticipation of Harvey's landfall, Governor Greg Abbott issued a proclamation declaring a state of disaster in numerous counties located along the Texas gulf coast, including Galveston County. The Texas Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. At this time, the Board of Directors of the District has not authorized a reappraisal of property located within the District; however, the Board of Directors of the District may do so in the event further assessment of the District reveals material impacts as a result of Hurricane Harvey. The District is not bound by a reappraisal of property that is authorized by another taxing unit and not authorized by the District.

The District cannot predict what impact Hurricane Harvey will have on the assessed value of homes and commercial property within the District. Such determination will be made by the Appraisal District based on the market value of such homes as of January 1, 2018, which market value will be affected by, among other things, the extent to which any property damage incurred and the extent to which the damage has been repaired. There is no assurance that any casualty loss will be covered by insurance. Flood casualties are usually exempted from coverage unless specific flood insurance is purchased. The District cannot provide assurance that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damages to 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. Finally, it is not known at this time what impact the effects of Hurricane Harvey will have generally upon the value of homes or businesses in the District that did not sustain damage. A substantial decrease in the assessed valuation in the District, will likely result in a corresponding increase in the District's tax rate.

Inclement 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.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to: (1) reimburse the Developer (as defined herein) for reimbursable water, sewer, and drainage costs associated with Magnolia Creek, Sections 11 and 12; (2) to reimburse the Developer for certain capital recovery costs previously paid to League City; (3) pay developer interest as approved by the TCEQ; (4) fund approximately 6 months of capitalized interest; and (5) pay certain administrative costs and costs incurred in connection with the issuance of the Bonds.

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 as approved by the TCEQ is as follows:

CONSTRUCTION COSTS:	<u>District's Share</u> (a)
<i>Developer Contribution Items</i>	
Magnolia Creek – Clearing & Grubbing	\$24,464
Magnolia Creek, Section 11 Phase 1 – W, WW, & D	\$611,771
Magnolia Creek, Section 11 Phase 2 – W, WW, & D	\$1,241,033
Magnolia Creek, Section 12 Phase 1 – W, WW, & D	\$510,777
Magnolia Creek, Section 12 Phase 2 – W, WW, & D	\$429,779
Storm Water Pollution Prevention	\$58,414
Engineering, Surveying & Testing	<u>\$247,329</u>
TOTAL DEVELOPER CONTRIBUTION ITEMS	\$3,123,568
 <i>District Items</i>	
City of League City Capital Recovery Fees	<u>\$788,760</u>
TOTAL CONSTRUCTION COSTS	\$3,912,928
 NON-CONSTRUCTION COSTS:	
Legal Fees	\$94,400
Fiscal Agent Fees	\$94,400
Interest Costs	
Capitalized Interest	\$55,871
Developer Interest	\$286,115
Bond Discount	\$139,143
Bond Issuance Expense	\$35,000
Bond Application Report Costs	\$49,357
Attorney General Fee	\$4,720
TCEQ Bond Issuance Fee	\$11,800
Contingency	<u>\$36,266</u> (b)
TOTAL NON-CONSTRUCTION COSTS	\$807,072
TOTAL BOND ISSUE REQUIREMENT	<u>\$4,720,000</u>

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- (a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District was granted a waiver of such rules. See "THE SYSTEM – Description of the System."
 - (b) The TCEQ Order requires the District to designate any surplus bond proceeds resulting from the sale of the bonds at a lower interest rate than the rate initially projected in the District's Bond Application to the TCEQ as a contingency line item in the Official Statement. Such funds may be used by the District only upon approval by the TCEQ.

THE DISTRICT

General:

The District is a municipal utility district created by an order of the Texas Water Commission, predecessor of the TCEQ, on March 14, 1979, pursuant to Article XVI, Section 59 of the Texas Constitution, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ and League City. The District contains approximately 865 acres of land, all of which is located within the corporate limits of League City. The District has entered into a utility agreement with League City which regulates the construction, ownership and operation of utility facilities and the sale of bonds by the District. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY."

League City is located approximately five miles south of the Houston city limits and contains land on both sides of Interstate Highway 45, the principal traffic artery between Houston and Galveston. The central business district of League City is 2 ½ miles east of the District via FM 518. Major access to Houston and Galveston is provided by Interstate Highway 45, which intersects FM 518 one-half mile east of the District (see "APPENDIX A – LOCATION MAP" herein). Pursuant to the utility agreement with League City, the District provides water, sanitary sewer and drainage service to The Landing subdivision, Sections 1, 2, and 3 ("The Landing"); Claremont Park, Sections 1 – 5; Brittany Lakes, Sections 7 – 16; a portion of Magnolia Creek subdivision, Sections 9 – 12, and 14 and 15; and certain adjacent commercial tracts. See "THE DISTRICT."

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. All of the directors reside within the District. Director elections are held only in even-numbered years, and the directors serve staggered four-year terms. The current members and officers of the Board, along with their titles are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
Wayde Shipman	President	2018
Bill Heins	Vice President	2018
Mark Domma	Secretary	2018
Tye Cowan	Director	2020
Gary Burt	Director	2020

The District does not employ a general manager and does not have any employees. The District has contracted for utility system operations, bookkeeping, tax assessing and collecting, engineering, legal services, 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 engaged under annual contract and represents 165 other utility districts.

Bookkeeper - The District's bookkeeper is Municipal Business Services, Incorporated, which acts as bookkeeper for approximately 36 other utility districts.

Auditor - The District's annual financial statements as of September 30, 2017, have been audited by Roth & Eyring, PLLC. See "APPENDIX A" for a copy of the District's September 30, 2017, audited financial statements.

Utility System Operator - The District's operator is League City.

Engineer - The consulting engineer for the District is Blackline Engineering, L.L.C. (the "Engineer").

Financial Advisor - The District has engaged The GMS Group, L.L.C. as financial advisor for a fee to be computed on each separate issuance of bonds, contingent upon such bonds being delivered.

General Counsel – Gregg & Gregg, PC, Houston, Texas serves as General Counsel to the District.

Bond Counsel – Norton Rose Fulbright US LLP, Houston, Texas serves as Bond Counsel in connection with the issuance of bonds by the District. The legal fees to be paid for bond counsel services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds, but such advice should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds. However, such fees are not contingent upon the sale and delivery of such Bonds.

Investments of the District:

The District had adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short-term obligations of the U.S. Treasury and federal agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own or intend to purchase long-term securities or derivative products.

Current Status of Residential Development in the District:

A tabulation of the single family residences within the District as of January 1, 2018, is approximately as follows:

Subdivision	Acreage	Total Lots	Homes		Vacant Developed Lots
			Completed	Under Construction	
<i>Ellis Landing</i>	0.35	2	2	0	0
<i>The Landing</i> Sections 1 - 3	234.09	873	873	0	0
<i>Claremont Park</i> Sections 1 - 5	113.31	410	410	0	0
<i>Brittany Lakes</i> Sections 7 - 16	232.98	789	789	0	0
<i>Magnolia Creek</i> Sections 9 - 12	81.57	291	291	0	0
Section 14 (a)	25.60	101	14	45	42
Section 15 (a)	21.60	93	0	0	93
Commercial Development	26.84	N/A	N/A	N/A	N/A
Golf Course	13.29	N/A	N/A	N/A	N/A
Undeveloped but Developable Acreage	0.00	N/A	N/A	N/A	N/A
Undevelopable Acreage (b)	<u>115.46</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL	<u>865.09</u>	<u>2,559</u>	<u>2,379</u>	<u>45</u>	<u>135</u>

(a) Homes in Magnolia Creek, Sections 14 and 15 have been and are being constructed by Lennar/CalAtlantic Homes and Perry Homes and marketed in the \$325,000 - \$385,000 price range; homebuilding in Section 15 will begin March 2018.

(b) Such acreage includes: major thoroughfares, rights-of-way, drainage easements, detention ponds, amenity lakes, a lift station site, parks/recreations areas, pipeline easements, and electrical utility easements.

Historical Development in the District:

Land within the District was initially developed as The Landing, a single family residential subdivision, by Ellis Landing Venture, a Texas joint venture consisting of R.D.C., Inc., as managing partner, and a group of investors. Prior to January 1, 1998, Ellis Landing Venture sold all of its property within the District to KW Interest L.L.C. The property is now owned by MHWS Developers, LLC (“MHWS” or the “Developer”). MHWS has developed land adjacent to the District as part of the Magnolia Creek subdivision and has substantially completed the land development of the Magnolia Creek subdivision. MHWS does not currently own any additional land that remains to be developed within the District.

MHWS Development, LLC, is a Delaware Limited Liability Company whose sole owner is MHWS Holdings, LLC, a Delaware Limited Liability Company whose principal members are 2009 XIF, LLC (“XIF”) and WSI (I) – MHI, LLC (“WS”). XIF is solely owned by FMR Land Holdings, LLC whose members are affiliated with MHI Partnership, Ltd. WS is owned by parties related to Wheelock Street Capital.

Claremont Park Associates a Texas limited partnership with Great American Companies, Inc. developed Claremont Park, Sections 1 – 5, all of which have been built out. BL Development, Ltd. (“BL Development”) developed the single family residential subdivision Brittany Lakes, Sections 7 – 14 and BL Residential, Ltd. (“BL Residential”) developed Brittany Lakes, Sections 15 and 16. Homes have been built on all lots in Brittany Lakes subdivision, Sections 7 – 16.

The District serves approximately 26.8 acres of commercial reserves which are located on both the north and south side of FM 518. Commercial building development located on the 26.8 acres commercial reserves includes a Walmart neighborhood market, an Autozone shop, a mini storage unit, an Alzheimer nursing home, 2 office buildings, shopping center with a convenience store, gas station, daycare center, and a CVS Pharmacy. Approximately 13.29 acres have been developed as part of the Magnolia Creek Golf Course.

UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY

The District and League City entered into a Utility Agreement (the “Utility Agreement”) on June 4, 1979, subsequently amended on August 27, 1981 (the “Amendment”). The Utility Agreement is effective for 40 years and expires June 4, 2019. The District agreed to acquire, construct and extend water, sanitary sewer and drainage facilities (the “System”) to serve land within its boundaries, all of which land is also within the corporate limits of League City. The Utility Agreement provides that as construction of each phase of the District’s System is certified to be complete in accordance with the final plans and specifications approved by League City, the District will transfer that completed portion of the System to League City, subject to certain easements, restrictions, and reservations specified in the Utility Agreement, and a security interest reserved by the District to secure the performance by League City under the Utility Agreement. The Utility Agreement further provides that once League City has accepted title to the completed portion of the System, League City will then operate and maintain such facilities and be responsible for establishing water and sewer rates and the collection of such charges from District residents for water and sewer services. It should be noted that League City has accepted all of the completed portions of the System and is currently operating the System that serves the users located in the District.

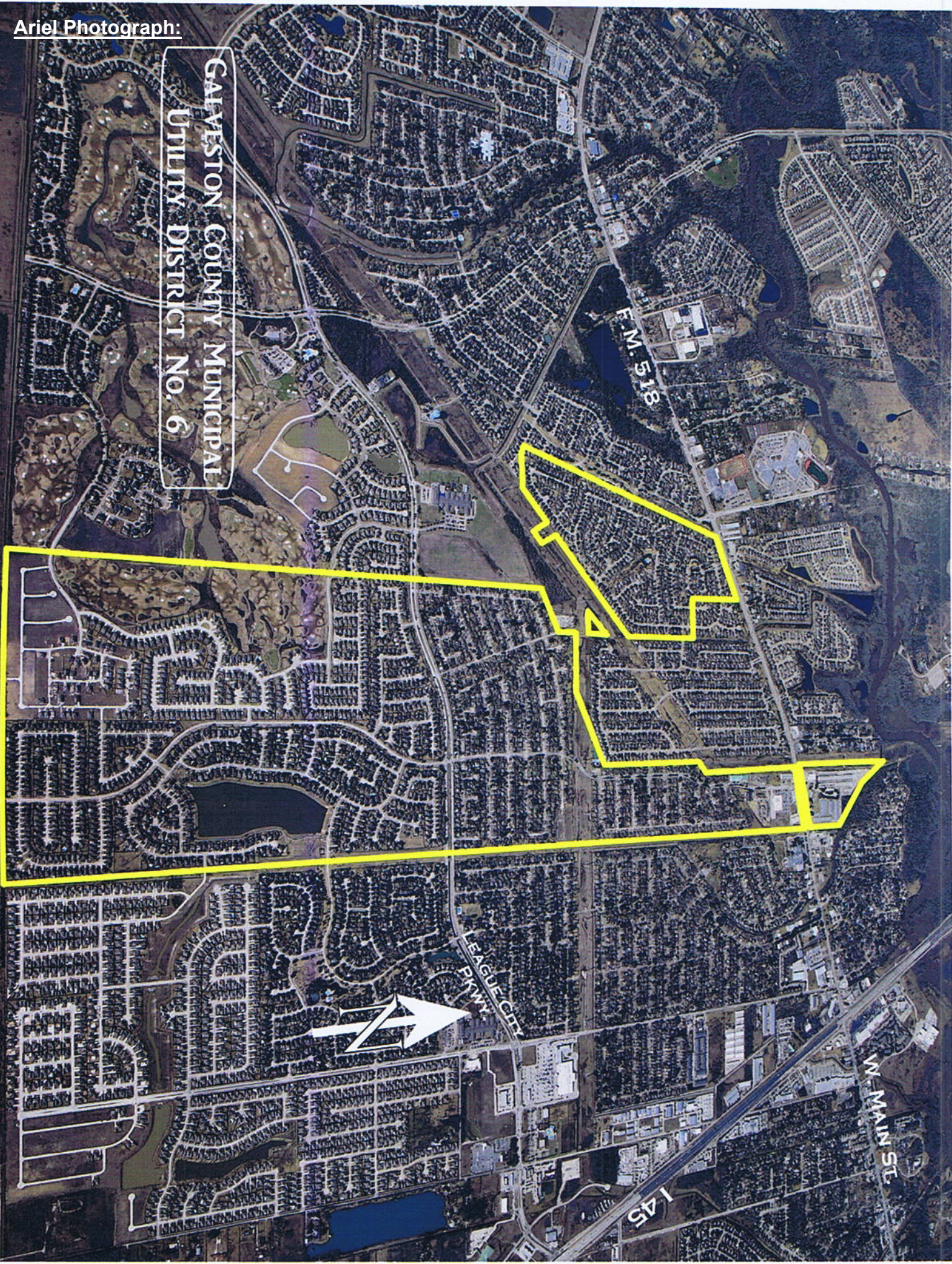
The Utility Agreement provided for a rebate to the District of League City taxes levied on property within the District of a minimum of 40% less cost of collection. The Amendment increased the minimum League City tax rebate to 50% less cost of collection and further provided for the rebate of water and sewer revenues collected within the District less the cost of providing the service (“Net Revenues”). League City entered into a similar utility agreement and amendment with Galveston County Municipal Utility District No. 3 (“MUD No. 3”). The City failed to rebate net revenues to either the District or MUD No. 3. MUD No. 3 filed suit in Galveston County District Court to collect the MUD No. 3 net revenues and enforce the terms of the MUD No. 3 utility agreement. League City filed a motion for summary judgment claiming that the MUD No. 3 amendment is invalid. The court ruled in favor of League City and the decision was upheld on appeal. Based on the decision in the MUD No. 3 case, League City is only required to rebate 40% of League City taxes levied and collected on property within the District (excluding personal property) and League City is not obligated to rebate Net Revenues. **ALTHOUGH THE DISTRICT ANTICIPATES THAT THE LEAGUE CITY TAX REBATE WILL BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE OUTSTANDING BONDS, THE LEAGUE CITY TAX REBATE REVENUES ARE NOT PLEDGED TO SECURE THE BONDS.**

The District may issue its bonds, under certain conditions, to acquire, construct, and extend the System, and retains a security interest in the System to secure League City’s performance under the Utility Agreement until the District’s bonds have been discharged. The District will then execute a release of such security interest and League City will then own the System free and clear, and League City’s obligations to pay the District a portion of League City’s taxes collected on land and improvements in the District shall terminate.

The District has agreed to extend the System to serve future users as necessary so that ultimately all landowners in the District will be in a position to receive services from the System; however, the District’s ability to extend the System is conditioned upon League City performing under the provisions of the Utility agreement, the satisfaction of certain determinations of economic feasibility, government agency approvals, and the ability of the District to sell bonds.

Aerial Photograph:

GALVESTON COUNTY MUNICIPAL
UTILITY DISTRICT NO. 6



WATER AND SEWER SYSTEM

Description of the System:

Proceeds from a portion of the District's Outstanding Bonds have been used to reimburse the District's original developer for construction and/or installation costs of the following improvements to the District's water, wastewater, and storm drainage system (the "System"): (1) water distribution, wastewater collection, and drainage facilities to serve The Landing, Sections 1, 2, and 3 and adjacent commercial areas; (2) Newport, Landing (Phase 1) and Brittany Bay drainage ditch sites, construction and/or rectification; (3) the District's share of the City's Calder Road Water Plant (Phase 1); (4) the District's cost share of a 24-inch water main providing an interconnect with the Calder Road Water Plant; (5) the initial 225,000 gallon per day ("GPD") temporary wastewater treatment plant installed within the District; (6) water distribution, wastewater collection and drainage facilities to serve Claremont Park, Sections 1 through 5 and the adjacent offsite drainage facilities to serve the Claremont Park development; (7) water distribution, wastewater collection and drainage facilities to serve Brittany Lakes, Sections 7 through 16; and (8) Brittany Lakes Lift Station. All of these District facilities have been conveyed to League City in accordance with the Utility Agreement, and they are presently operated by League City. The System has been designed to be in conformity with the requirements of League City, Galveston County, the Texas Department of Health and the TCEQ.

Water Supply:

Residents of the District receive potable water from League City pursuant to the Utility Agreement. The western portion of League City where the District is located is served solely from a supply of surface water purchased by League City under a contract with the Gulf Coast Water Authority ("GCWA"). The District is supplied by a 24-inch trunk line which connects with League City's Calder Road Water Plant and has been extended to interconnect with other League City water lines. The District's water system is interconnected with this network via a 10-inch main installed in FM 518 and a 24-inch main installed in Brittany Bay Boulevard. Blackline Engineering, L.L.C., the District's engineer (the "Engineer") has advised the District that this water supply is adequate for present and proposed development within the District given currently anticipated land uses.

Wastewater Treatment:

League City has constructed sewer lines as part of its master plan which connects the District to League City's Regional Wastewater Treatment Plant located east of Interstate Highway 45. The Engineer has advised the District that this wastewater treatment plant is adequate for present and proposed development within the District given currently anticipated land uses.

Storm Drainage:

Primary drainage for land in the District is a channel located along its eastern boundary (the "Landing Ditch") and thence to Clear Creek. In addition to the Landing Ditch, drainage for the Claremont Park subdivision is provided by a channel located across FM 518 from the development. Magnolia Creek drains north to Clear Creek through a separate series of ditches. The drainage facilities servicing the District are operated and maintained by League City. According to the District's Engineer none of the developed land lies within the 100-year flood plain; the only land within the District that is within a 100-year flood plain lies within the drainage easements, drainage ditches, and detention ponds located in the District.

DISTRICT DEBT
(Unaudited)

1/1/2018 Estimated Taxable Value	\$546,491,238	(a)
2017 Certified Taxable Value	\$506,807,840	(b)
Direct Debt		
Outstanding Bonds (as of January 1, 2018)	\$7,050,000	
The Bonds	<u>\$4,720,000</u>	
Total Direct Debt	\$11,770,000	
Estimated Overlapping Debt	<u>\$39,924,131</u>	
Direct and Estimated Overlapping Debt	\$51,694,131	
Percentage of Direct Debt to:		
1/1/2018 Estimated Taxable Value	2.15%	
2017 Certified Taxable Value	2.32%	
Percentage of Direct and Estimated Overlapping Debt to:		
1/1/2018 Estimated Taxable Value	9.46%	
2017 Certified Taxable Value	10.20%	
2017 Tax Rate Per \$100 of Assessed Value		
Debt Service	\$0.393	
Maintenance Tax	<u>\$0.027</u>	
Total 2017 Tax Rate	\$0.420	
Cash and Temporary Investment Balances as of 11/3/2017		
General Fund	\$176,335	
Debt Service Fund	\$1,020,941	(c)

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- (a) Reflects data supplied by GalCAD. The Estimated Taxable Value as of 1/1/2018 was prepared by GalCAD and provided to the District. Such values are not binding on GalCAD and the new values added (subsequent to January 1, 2017) will not be included on the District's tax roll until the 2018 tax roll is prepared and certified by GalCAD during the second half of 2018. See "TAX DATA" and "TAX PROCEDURES."
- (b) Reflects data supplied by GalCAD. The Certified Taxable Value was prepared by GalCAD and provided to the District. See "TAX DATA" and "TAX PROCEDURES."
- (c) Unaudited figure per the District's records. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Debt Service Fund. See "TAX DATA – Tax Adequacy for Debt Service."

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 "Texas Municipal Reports" published by the Municipal Advisory Council of Texas, and certain other sources. Except for the amount 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 cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>Overlapping Debt</u>	
		<u>Percent</u>	<u>Amount</u>
Clear Creek Independent School District	\$818,715,000	2.35%	\$19,247,206
Galveston County	\$253,206,296	1.83%	\$4,626,271
City of League City	\$232,735,000	6.90%	\$16,050,654
Total Estimated Overlapping Debt			<u>\$39,924,131</u>
The District's Direct Debt (a)			<u>\$11,770,000</u>
Total Direct and Estimated Overlapping Debt			<u>\$51,694,131</u>

(a) Includes the Bonds.

TAX DATA

Tax Collections:

The following table sets forth the historical tax collection experience of the District for the tax years 2013 through 2017. Such table has been prepared based upon information from District records. Reference is made to such records and statements for further and complete information.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Cumulative Collections (a)</u>	<u>Ending 09/30</u>
2017	\$506,807,840	\$0.4200	\$2,128,593	95%	(b)
2016	\$437,616,919	\$0.4600	\$2,013,038	100%	2017
2015	\$401,721,839	\$0.4600	\$1,847,920	100%	2016
2014	\$358,819,575	\$0.4700	\$1,686,452	100%	2015
2013	\$355,874,187	\$0.4390	\$1,562,288	100%	2014

(a) Current tax collections have exceeded 97% each year for the past five years.

(b) Reflects the 2017 tax levy collections as of January 31, 2018. The 2017 tax levy was 95% collected as of February 21, 2018.

Tax Rate Distribution:

The following table sets forth the tax rate distribution of the District for the years 2013 through and including 2017.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt Service	\$0.393	\$0.430	\$0.430	\$0.43947	\$0.4161
Maintenance/Operation	<u>\$0.027</u>	<u>\$0.030</u>	<u>\$0.030</u>	<u>\$0.03053</u>	<u>\$0.0229</u>
TOTAL	\$0.420	\$0.460	\$0.460	\$0.47000	\$0.4390

Maintenance Tax:

The District has the statutory authority to levy and collect an annual ad valorem tax for operation and maintenance of the District's improvements. Such maintenance tax was authorized by the District's voters on April 7, 1979. The District is authorized to levy such a maintenance tax in an amount not to exceed \$1.00 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, the Outstanding Bonds, and any tax bonds which may be issued in the future.

Principal Taxpayers:

The following table, which sets forth the District's principal taxpayers, was provided by the District's Tax Assessor/Collector based upon the 2017 certified tax roll (which reflects ownership at January 1, 2017) of the Galveston Central Appraisal District.

<u>Principal Taxpayers (a)</u>	<u>Type of Property</u>	<u>Property Value</u>	<u>% of Total</u>
PM Partners LP	Commercial	\$3,511,420	0.69%
Sudamahu Group Corp	Commercial	\$3,263,800	0.64%
Wal-Mart Stores Texas LP	Commercial	\$3,119,680	0.62%
Clear Lake Cottages Ltd	Personal Property	\$3,106,750	0.61%
Mistras Group Inc.	Personal Property	\$3,025,530	0.60%
Texas New Mexico Power Co	Utilities	\$1,093,477	0.22%
Homeowner	Commercial	\$1,087,320	0.21%
CVS Pharmacy Inc	Commercial	\$972,780	0.19%
Borhan Landing Consultant LLC	Commercial	\$959,750	0.19%
Homeowner	Home	<u>\$883,960</u>	<u>0.17%</u>
Percent of Assessed Valuation		\$21,024,467	4.15%

(a) Reflects information obtained by the District's Tax Assessor/Collector from the GalCAD's records. The District makes no representation as to the accuracy of such information.

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 tax roll valuations for 2013 through 2017.

<u>Year</u>	<u>Type of Property</u>			<u>Gross Valuation</u>	<u>Exemption</u>	<u>Taxable Valuation</u>
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>			
2017	\$83,368,910	\$446,532,714	\$11,203,981	\$541,105,605	\$34,297,765	\$506,807,840
2016	\$80,290,430	\$358,338,969	\$8,927,601	\$447,557,000	\$9,940,081	\$437,616,919
2015	\$74,429,290	\$349,639,117	\$4,345,021	\$428,413,428	\$26,691,589	\$401,721,839
2014	\$70,834,590	\$290,764,705	\$4,375,004	\$365,974,299	\$7,154,724	\$358,819,575
2013	\$70,834,590	\$287,920,405	\$3,752,552	\$362,507,547	\$6,633,360	\$355,874,187

Tax Adequacy for Debt Service:

The calculations shown below are solely for the purpose of illustration and assume no increase in assessed valuation over the 2017 Certified Taxable Value provided by GALCAD, and use a tax rate adequate to service the District's total debt service requirements following issuance of the Bonds. Surplus balances in the debt service fund, the capital projects fund, and the general fund are not reflected in these computations.

Maximum annual debt service requirements (2019).....	\$2,205,005
\$0.43 Tax Rate on 1/1/2018 Estimated Taxable Value at 95% collections produces.....	\$2,232,417
\$0.46 Tax Rate on 2017 Certified Taxable Value at 95% collections produces	\$2,214,750

Estimated Overlapping Taxes:

The following table sets forth all 2017 taxes levied by overlapping taxing jurisdictions on property within the District. No recognition is given to local assessments for civic association dues, fire department contributions, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2017 Tax Rate</u>
Galveston County	\$0.546147
Galveston County Road and Flood District	\$0.005753
Clear Creek Independent School District	\$1.400000
City of League City	<u>\$0.565000</u>
Overlapping Taxes	\$2.516900
The District (2017)	<u>\$0.420000</u>
Total Direct & Overlapping Taxes	\$2.936900

TAX PROCEDURES

Tax Code and County-Wide Appraisal District:

Under Texas law, including the Texas Tax Code (the "Property Tax Code"), there is established in each county in the State a single appraisal district with responsibility for recording and appraising property for all taxing units within the county and a single appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. By May 15 of each year or as soon thereafter as is practicable, the appraisal district is required to prepare appraisal records of property to be appraised as of January 1 of each year. The Property Tax Code generally requires appraisals at 100% of market value. A residence homestead is 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. Property tax appraisals in the District are subject to review by the Galveston County Appraisal Review Board (the "Appraisal Review Board"). Taxpayers and, under certain circumstances, taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a petition for review in state district court. Such review or appeals may delay the certification of taxable values and hence delay the levy and collection of taxes by the District. In the event of such an appeal, the value of the property in question will be determined by the court, or by a jury if requested by any party. Absent any such appeal, the appraisal roll prepared by GalCAD and approved by the Appraisal Review Board must be used by each taxing jurisdiction within Galveston County to establish its tax rolls and tax rate. The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Although the District is responsible for establishing tax rates and levying and collecting its taxes each year, under the system of county-wide tax appraisal implemented by the Property Tax Code, the District cannot establish appraisal standards or determine the frequency of revaluation or reappraisal. The Property Tax Code requires GalCAD to implement a plan for periodic reappraisal of property to update appraised values, and the plan must provide for reappraisal of all real property in the appraisal district at least once every three years. The District recently became eligible, along with all other conservation and reclamation districts within Galveston County, to participate in the nomination of and vote for a member of the Board of Directors of GalCAD.

On August 26, 2017, Hurricane Harvey ("Harvey") made landfall on the Texas Gulf Coast, severely impacting the entire region and resulting in a disaster declaration by the Governor of the State of Texas. See "RISK FACTORS – Hurricane Harvey." When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor declares a disaster area. For reappraised property, the taxes are pro-rated for the year the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based on market values as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. The District presently has no plans to request a reappraisal due to Harvey.

Property Subject to Taxation by the District:

Except for certain exemptions provided by Texas law, all real and tangible personal property in the District is subject to taxation by the District. However, the District makes no effort to collect taxes on personal property, other than on personal property rendered for taxation, business inventories, and the property of privately-owned utilities. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas, and mineral interests owned by an institution of higher education; certain property owned and used for qualified purposes by certain charitable religious, education and other organizations, designated historical sites; solar and wind-powered energy devices; and most individually-owned automobiles.

The District, either by action of its Board or through a process of petition and referendum initiated by its residents, may grant exemptions for residential homesteads of persons 65 years of age or older and of certain disabled persons, to the extent deemed advisable by the Board. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. The District has granted an exemption for persons 65 years of age and older or for disabled persons of \$25,000 of taxable valuation.

Additionally, 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. 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.

Effective January 1, 2018, 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, and said property was the first responder's residence homestead at the time of 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.

A "freepoint" exemption applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier. The items qualify if they leave the State of Texas within 175 days after the person who sent them out of state acquires them. The chief appraiser determines the amount of exemption by: (1) determining the percentage of the owner's inventory that left the state within six months of acquisition in the preceding year, and (2) reducing the current year's inventory by that percentage.

Residential Homestead Exemption:

The governing body of each political subdivision in the State may exempt up to 20% of the market value of residential homesteads from ad valorem taxes. However, 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 obligation of the contract by which the debt was created. The District has never granted a residential homestead exemption from ad valorem taxes.

Notice and Hearing Procedures:

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers if the District proposes to increase taxes, and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes:

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

Effective January 1, 2018, property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, effective September 1, 2017, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

Rollback of Operation and Maintenance Tax Rate:

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Collection of Delinquent Taxes:

Taxes levied by the District are a personal obligation of the owner of the taxed property as of January 1 of the year in which the taxes are levied. On January 1 of each year, a tax lien attaches to property in the District to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax, whether or not the debt or lien existed before the attachment of the tax lien. Further, as a general rule, the District's tax lien and a federal tax lien are on par with ultimate priority being determined by applicable federal law. Under certain circumstances, personal property is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. The ability of the District to collect delinquent taxes by judicial foreclosure may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions affecting the market value of the property at the time of any tax foreclosure sale, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Further, the District's ability to foreclose its tax lien or collect penalties and interest may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 United States Code Section 1825, as amended.

The District has the right to consolidate with other districts and, in connection therewith to consolidate its System with the water and sewer systems of the district or districts with which it is consolidating. No representations are made that the District will ever consolidate its System with other systems.

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 if the person (1) has been granted an exemption under Section 11.13, Tax Code, (2) requests an installment agreement, and (3) 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.

Delinquent Tax Payments for Disaster Areas:

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt services in the year following a disaster.

CONSOLIDATION AND DISSOLUTION

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

League City has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law, subject, however to the terms of the Utility Service Agreement. See "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY." If any of the Bonds are outstanding at the time of dissolution, the payment of such Bonds becomes the obligation of the City. Dissolution of the District is a policy-making matter within the discretion of the Mayor and City Council of League City and, therefore, no representation is made that League City will ever dissolve the District nor is any representation made as to the ability of League City to pay debt service on the Bonds if dissolution were to occur.

THE BONDS

General:

The Bonds are dated April 1, 2018. The Bonds will mature on September 1 in the years and in the amounts set forth on the cover page of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on September 1, 2018 and each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District.

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

The District reserves the right in the Order to remove the Paying Agent/Registrar without cause. Every successor Paying Agent/Registrar must at all times be a commercial bank or trust company organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000, subject to supervision or examination by federal or state authority, registered as a transfer agent with the Securities and Exchange Commission. Upon any change in the Paying Agent/Registrar, the District agrees to promptly cause a written notice thereof to be sent to each Registered Owner affected by the change, which notice shall also give the address of the new Paying Agent/Registrar, which shall be the designated Place of Payment.

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

Any interest on any Bond which is payable on, but is not paid or duly provided for on or within 10 days after, any Interest Payment Date ("*Defaulted Interest*") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest shall be paid to the Person in whose name such Bond (or one or more respective Predecessor Bonds) is registered at the close of business on a special record date (the "*Special Record Date*") for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Paying Agent/Registrar of the notice of the proposed payment.

Authority for Issuance:

On September 13, 2003, the District voters authorized unlimited tax bonds to be issued for the purpose of providing waterworks, sanitary sewer and drainage facilities to land within the District or for refunding outstanding bonds in the amount of \$36,550,000. After the issuance of the Bonds, the District will have \$23,620,000 in authorized but unissued bonds remaining from such authorization. The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, a resolution of League City granting its consent to the issuance of the Bonds, and an approving order of the TCEQ.

Optional Redemption:

The Bonds maturing on or after September 1, 2024, may be redeemed, at the option of the District on notice mailed to the Registered Owners thereof, not less than 30 days prior to the Redemption Date, as provided in the Bond Order, as a whole, or from time to time in part, on any date prior to their maturity date but not before September 1, 2023; upon payment of the Redemption Price which will be the principal amount thereof together with interest, if any, accrued thereon from the most recent Interest Payment Date to the Redemption Date. If fewer than all of the Bonds are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or other customary method, in integral multiples of \$5,000 in any one maturity.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof) and upon any partial redemption of any such Bond the same shall be surrendered in exchange for one or more new Bonds of the same Stated Maturity in authorized denominations for the unredeemed portion of principal. Bonds (or portions thereof as aforesaid) for whose redemption and payment provision is made in accordance with the Bond Order will cease to bear interest from and after the Redemption Date. Optional redemption of the Bonds may be conditioned on the issuance of refunding bonds or other obligations to pay the redemption price.

Sources of and Security for Payment:

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against taxable property located within the District. 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:

Any Bond will be deemed to be paid and is no longer be considered to be a Bond within the meaning of the Bond Order when payment of the principal of and interest on such Bond to the Stated Maturity thereof or (if notice of redemption shall have been duly given, irrevocably provided for, or waived as provided herein) to the redemption date shall have been made or shall have been provided for by deposit with the Paying Agent/Registrar for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, *provided* that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

If such deposit is made for some but not all of the Outstanding Bonds, the District shall designate the Stated Maturities of Bonds for which such deposit is made. If such deposit shall be sufficient to provide for the payment of the principal of and interest on some but not all Outstanding Bonds of a particular Stated Maturity so designated, the Paying Agent/Registrar shall select the Outstanding Bonds of such Stated Maturity with respect to which such deposit is made by such random method as the Paying Agent/Registrar shall deem fair and appropriate and which may provide for the selection of portions (equal to \$5,000 or any integral multiple thereof) of the principal amount of Bonds of a denomination larger than \$5,000.

Notwithstanding anything herein to the contrary, no such deposit shall have the effect described in the Bond Order if made during the subsistence of a default in the payment of any Bond unless made with respect to all of the Outstanding Bonds. When such deposit is made, it shall be accompanied by an opinion of counsel of recognized standing in the field of federal income taxation to the effect that neither such deposit nor the investment thereof shall adversely affect the excludability of interest on any Bond from the gross income of any owner thereof for federal income tax purposes, though delivery of such opinion is not a condition precedent to the effectiveness of any deposit hereunder.

Any money and Governmental Obligations deposited for such purpose shall be held by the Paying Agent/Registrar (or other bank or trust company) with which such deposit is made in a segregated account in trust or escrow for the holders of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on such Bonds when due, *except* that cash receipts may be withdrawn and paid to the District provided the date and amount of such withdrawals are taken into account in the most recent verification of the accounting firm referred to in the Bond Order. No money or Governmental Obligations so deposited shall be invested or reinvested unless in Governmental Obligations and unless such money and Governmental Obligations not invested and such new investments are together certified by an independent public accounting firm of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment.

"Governmental Obligations" means (1) direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law from time to time for discharge and final payment of political or governmental subdivisions which, at the time of deposit have been assigned ratings in the highest rating category of either Moody's Investors Service or Standard & Poor's, or any successor to the bond operations of either of such corporations, but in the case of both Clauses (1) and (2) only if such obligations may not be called for redemption prior to maturity.

Funds:

The Bond Order confirms the previous establishment of the District's Bond Fund created and established pursuant to the orders authorizing the issuance of the Outstanding Bonds. The Debt Service Fund is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds and any of the District's Outstanding Bonds or any duly authorized additional bonds. Amounts on deposit in the Bond Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and to pay the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds.

Issuance of Additional Debt:

If authorized by the District's voters and by the Board of Directors of the District, and with the approval of TCEQ and League City, the District may issue bonds necessary to construct improvements for which the District was created. See "THE DISTRICT." The District's voters have previously authorized the issuance of \$60,550,000 principal amount of bonds (of which \$23,620,000 remain authorized and unissued after issuance of the Bonds) for the purpose of providing waterworks, sanitary sewer, and drainage facilities to land within the District or for refunding outstanding bonds, and may authorize additional amounts in future elections. See "RISK FACTORS – Future Debt." The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District.

Registration, Transfer, and Exchange:

The District shall cause to be kept at the Place of Payment a register (herein referred to as the "Security Register") in which, subject to such reasonable regulations as the District or the Paying Agent/Registrar may prescribe, the Paying Agent/Registrar shall provide for the registration of the Bonds and registration of transfers of the Bonds as provided in the Bond Order.

In the event the Book-Entry-Only System is discontinued, upon surrender for transfer of any Bond at the Place of Payment, the District will execute, and the Paying Agent/Registrar will register and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount. New Bonds registered, and delivered in an exchange or transfer will be delivered by the Paying Agent/Registrar at the Place of Payment or sent by United States mail at the Registered Owner's written request, risk, and expense.

At the option of the Registered Owner, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the Bonds to be exchanged at the Place of Payment. Whenever any Bonds are so surrendered for exchange, the District will execute, and the Paying Agent/Registrar will register and deliver, the Bonds which the Registered Owner of Bonds making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange must be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed, by the Registered Owner thereof or his attorney duly authorized in writing.

No service charge may be made to the Registered Owner for any registration, transfer, or exchange of Bonds, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Paying Agent/Registrar is required (1) to transfer or exchange any Bond during a period beginning 45 days prior to a Redemption Date hereunder and ending at the close of business on the day of mailing of a notice of redemption or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

Replacement of Mutilated, Lost or Stolen Bonds:

If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District shall execute and upon its request the Paying Agent/Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the District in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond under the Bond Order, the District or the Paying Agent/Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Every new Bond issued pursuant to the Bond Order in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute an original additional contractual obligation of the District, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Bond Order equally and ratably with all other Outstanding Bonds.

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 Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

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

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

Purchases of Securities under the DTC system must be made by or through Direct Participants, which 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 Underwriters 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 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.

LEGAL MATTERS

Legal Opinion:

The District will furnish the Underwriter a transcript of certain certified proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, the effect that the Bonds are valid and binding obligations of the District. The District also will furnish the approving legal opinion of Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel ("Bond Counsel"), to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that the Bonds, including principal of and interest thereon, are payable from ad valorem taxes, without legal limit as to rate or amount, upon all taxable property located within the District.

Legal Review:

In its capacity as Bond Counsel, Norton Rose Fulbright US LLP has reviewed the information appearing in this Official Statement under the captions "TAX PROCEDURES," "CONSOLIDATION AND DISSOLUTION," "THE BONDS," "LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (but not " – Compliance with Prior Undertakings") to determine whether such information fairly summarizes the procedures, law and documents referred to therein. No person is entitled to rely upon such parties' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate:

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or, to the knowledge of the signatories, threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change:

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

TAX MATTERS

Tax Exemption:

The delivery of the Bonds is subject to an opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that, pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Code") and existing regulations, published rulings, and court decisions thereunder, interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in Section 61 of the Code, of the owners thereof, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

For taxable years that began before January 1, 2018, interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of computing the alternative minimum tax on such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds:

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

However, such interest may be required to be taken into account in determining the alternative minimum tax on corporations for taxable years that began before January 1, 2018, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

The initial offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of Premium Bonds should consult with their own tax advisors to determine the amortizable bond premium on the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions:

The District designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2018 is not reasonably expected to exceed \$10,000,000.

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, GalCAD, and other sources which are believed reliable, but the District makes no representation as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, resolutions, and engineering and other related reports set forth in this 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.

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 statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

Consultants:

Financial Advisor: The Official Statement was compiled and edited under the supervision of The GMS Group, L.L.C., (the "Financial Advisor"); such firm was employed in 2013 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and such fees are contingent on the sale and delivery of the Bonds. 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, to the description of the System, and, in particular, that information included in the sections entitled "RISK FACTORS --Future Debt," "USE OF BOND PROCEEDS," "THE DISTRICT," and "WATER AND SEWER SYSTEM" has been provided by the District's Engineer.

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

Auditors: The financial statements of the District have been audited by Roth & Eyring, PLLC and their accompanying report as shown in Appendix A, has been published with the agreement of Roth & Eyring, PLLC. The District did not request Roth & Eyring, PLLC to perform any updating procedures subsequent to the date of its audit report on the September 30, 2017, financial statements.

Updating of Official Statement:

For the period beginning on the date of the award of the sale of the Bonds to the Underwriter and ending on the ninety-first (91st) day after the "end of the underwriting period" {as defined in SEC Rule 15c(2)-12(e)(2)}, if any event shall occur of which the District has knowledge and as a result of which it is necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a prospective purchaser, not misleading, the District will promptly notify the Underwriter of the occurrence of such event and will cooperate in the preparation of a revised Official Statement, or amendments or supplements thereto, so that the statements in the Official Statement, as revised, amended or supplemented, will not, in light of the circumstances when such Official Statement is delivered to a prospective purchaser, be misleading.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events.

Annual Reports

The District shall provide annually to the Municipal Securities Rulemaking Board ("MSRB") via Electronic Municipal Market Access ("EMMA"), within six months after the end of each fiscal year of the District ending in or after 2018, financial information and operating data with respect to the District of the general type included herein for the Bonds. If audited financial statements for the District are not available within such period, then the District shall provide its audited financial statements for the applicable fiscal year to the MSRB via EMMA when such audited financial statements become available.

If the District changes its fiscal year, the District will notify the MSRB via EMMA of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to the Bond Order.

The financial information and operating data to be provided pursuant to the Bond Order may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB via EMMA or filed with the SEC.

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

Material Event Notices

The District shall notify the MSRB via EMMA, in a timely manner not in excess of 10 business days, of any of the following events with respect to the Bonds; if such event is material within the meaning of the federal securities laws:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders 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, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of 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; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The District shall notify the MSRB via EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Bond Order.

Availability of Information

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

Limitations and Amendments

The District shall be obligated to observe and perform the covenants specified in the Bond Order for so long as, but only for so long as, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice required by the Bond Order of any Bond calls and defeasance that cause the District to be no longer such an "obligated person."

The provisions of the Bond Order are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in the Bond Order, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to the Bond Order and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with the Bond Order or otherwise, except as expressly provided therein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE DISTRICT, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THE BOND ORDER, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the District in observing or performing its obligations under the Bond Order shall constitute a breach of or default under the Bond Order for purposes of any other provision of the Bond Order.

Nothing in the Bond Order is intended or shall act to disclaim, waive, or otherwise limit the duties of the District under federal and state securities laws.

The provisions of the Bond Order may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations or businesses of the District, but only if (1) the provisions of the Bond Order, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the provisions of the Bond Order, the District shall include with any amended financial information or operating data next provided in accordance with the Bond Order an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The District may also repeal or amend the provisions of the Bond Order if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of the Bond Order in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

Compliance With Prior Undertakings

The District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12 over the previous 5 years.

CERTIFICATION OF OFFICAL STATEMENT

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, 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.

This Official Statement was approved by the Board of Directors of Galveston County Municipal Utility District No. 6 as of the date shown on the cover page.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE YEAR ENDING
SEPTEMBER 30, 2017

GALVESTON COUNTY
MUNICIPAL UTILITY DISTRICT NO. 6
GALVESTON COUNTY, TEXAS
ANNUAL AUDIT REPORT
SEPTEMBER 30, 2017

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Roth & Eyring, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Fax 281-277-9484

February 12, 2018

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Galveston County Municipal
Utility District No. 6
Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities and each fund of Galveston County Municipal Utility District No. 6, as of and for the year ended September 30, 2017, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Galveston County Municipal Utility District No. 6 as of September 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 7 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 19 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 20 to 36 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 our 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, we 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 our firm.

North & Cousins, PLLC

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Galveston County Municipal Utility District No. 6 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2017.

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. 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 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. 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. As further described in Note 9, under the terms of an agreement with the City of League City, the District has transferred to the City of League City the ownership of the capital assets constructed by the District. Under the terms of the agreement, the District is to pay for construction of a water distribution system, a sanitary sewer collection system and a drainage system to serve the District. The District shall be the owner of each phase of the system 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 Agreement are retired. Accordingly, the District has no capital assets. In accordance with generally accepted accounting principles, the amount of outstanding long-term debt related to the acquisition of capital assets has been netted against the total of unrestricted net position, which resulted in a negative unrestricted net asset balance at September 30, 2017.

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>2017</u>	<u>2016</u>	<u>Change</u>
Current and other assets	\$ 2,109,070	\$ 1,409,959	\$ 699,111
Capital assets	7,562,464	5,985,016	1,577,448
Total assets	<u>9,671,534</u>	<u>7,394,975</u>	<u>2,276,559</u>
Long-term liabilities	11,452,694	11,477,307	(24,613)
Other liabilities	1,634,660	1,607,726	26,934
Total liabilities	<u>13,087,354</u>	<u>13,085,033</u>	<u>2,321</u>
Net position:			
Restricted	1,743,396	1,057,439	685,957
Unrestricted	(5,159,216)	(6,747,497)	1,588,281
Total net position	<u>\$ (3,415,820)</u>	<u>\$ (5,690,058)</u>	<u>\$ 2,274,238</u>

Summary of Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 2,027,763	\$ 1,862,225	\$ 165,538
Tax rebate from City of League City	722,957	691,742	31,215
Other revenues	16,040	7,403	8,637
Total revenues	<u>2,766,760</u>	<u>2,561,370</u>	<u>205,390</u>
Expenses:			
Administration and amortization	159,515	162,103	(2,588)
Debt service	333,007	429,275	(96,268)
Total expenses	<u>492,522</u>	<u>591,378</u>	<u>(98,856)</u>
Change in net position	2,274,238	1,969,992	304,246
Net position, beginning of year	<u>(5,690,058)</u>	<u>(7,660,050)</u>	<u>1,969,992</u>
Net position, end of year	<u>\$ (3,415,820)</u>	<u>\$ (5,690,058)</u>	<u>\$ 2,274,238</u>

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2017, were \$2,051,327, an increase of \$687,903 from the prior year.

The General Fund balance increased by \$24,727, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$660,210, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$2,966 from interest earnings.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District’s budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 18 of this report. The budgetary fund balance as of September 30, 2017, was expected to be \$173,314 and the actual end of year fund balance was \$202,201.

Capital Asset and Debt Administration

Capital Assets

As further described in Note 9 of the notes to the financial statements, the District has transferred to the City of League City the ownership of most of the capital assets constructed by the District.

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>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 308,716	\$ 308,716	\$ 0
Detention pond	1,253,748	1,253,748	0
Construction in progress	<u>6,000,000</u>	<u>4,422,552</u>	<u>1,577,448</u>
Totals	<u>\$ 7,562,464</u>	<u>\$ 5,985,016</u>	<u>\$ 1,577,448</u>

Changes to capital assets during the fiscal year ended September 30, 2017, are summarized as follows:

Additions:	
Utilities constructed by developer	<u>\$ 1,577,448</u>

Debt

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2017, are summarized as follows:

Bonded debt payable, beginning of year	\$ 8,600,000
Bonds paid	<u>(1,550,000)</u>
Bonded debt payable, end of year	<u>\$ 7,050,000</u>

At September 30, 2017, the District had \$28,340,000 unlimited tax bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The bonds have an underlying rating of A- by Standard & Poor’s. The Series 2005 and 2005-A bonds are insured by Ambac Assurance Corporation. The Series 2006 and 2008 bonds are insured by Assured Guaranty Corp. The Series 2013 bonds are insured by Assured Guaranty Municipal Corp. The Series 2010 bonds are not insured. Because of the insurance, the Series 2006, 2008 and 2013 bonds are rated AA by Standard & Poor’s and the other bond series carry the underlying rating of A- by Standard & Poor’s. There was no change in the bond ratings during the fiscal year ended September 30, 2017.

As further described in Note 5 of the notes to the financial statements, a developer within the District has constructed water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality. At September 30, 2017, the estimated amount due to the developer was approximately \$6,000,000.

RELEVANT FACTORS

Property Tax Base

The District's tax base increased approximately \$35,920,000 for the 2016 tax year (about 9%), primarily due to the increase in average valuations of existing property.

Relationship to the City of League City

The District is located totally within the corporate limits of the City of League City (the "City") and obtains water, sewer and drainage service from the City. As described in Note 9 of the notes to the financial statements, the City and the District entered into an Amended and Restated Utility Agreement (the "Agreement") on August 27, 1981, to provide a water distribution system, sanitary sewer collection system and a drainage system (the "System") to serve the area within the District. In consideration of the District's acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Agreement, to own, operate and maintain the System.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2017

	<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>
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 96,719	\$ 32,818	\$ 243,582	\$ 373,119	\$	\$ 373,119
Certificates of deposit, at cost, Note 7		270,000	350,622	620,622		620,622
Temporary investments, at cost, Note 7	88,049	749,279	199,191	1,036,519		1,036,519
Receivables:						
Property taxes	2,320	34,835		37,155		37,155
Accrued penalty and interest on property taxes				0	11,788	11,788
Accrued interest		381	155	536		536
Other		4,171		4,171		4,171
Maintenance taxes collected not yet transferred from other fund	40			40	(40)	0
Prepaid bond issuance expenditures	25,160			25,160		25,160
Capital assets not being depreciated, Note 4				0	7,562,464	7,562,464
Total assets	<u>\$ 212,288</u>	<u>\$ 1,091,484</u>	<u>\$ 793,550</u>	<u>\$ 2,097,322</u>	<u>7,574,212</u>	<u>9,671,534</u>
LIABILITIES						
Accounts payable	\$ 7,767	\$ 1,033	\$	\$ 8,800		8,800
Accrued interest payable				0	23,799	23,799
Maintenance taxes collected not yet transferred to other fund		40		40	(40)	0
Long-term liabilities, Note 5:						
Due within one year				0	1,602,061	1,602,061
Due in more than one year				0	11,452,694	11,452,694
Total liabilities	<u>7,767</u>	<u>1,073</u>	<u>0</u>	<u>8,840</u>	<u>13,078,514</u>	<u>13,087,354</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>2,320</u>	<u>34,835</u>	<u>0</u>	<u>37,155</u>	<u>(37,155)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for future construction, Note 7			128,554	128,554	(128,554)	0
Assigned to:						
Debt service		1,055,576		1,055,576	(1,055,576)	0
Capital projects			664,996	664,996	(664,996)	0
Unassigned	<u>202,201</u>			<u>202,201</u>	<u>(202,201)</u>	<u>0</u>
Total fund balances	<u>202,201</u>	<u>1,055,576</u>	<u>793,550</u>	<u>2,051,327</u>	<u>(2,051,327)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 212,288</u>	<u>\$ 1,091,484</u>	<u>\$ 793,550</u>	<u>\$ 2,097,322</u>		
Net position:						
Restricted for debt service					1,078,400	1,078,400
Restricted for capital projects					664,996	664,996
Unrestricted, Note 4					(5,159,216)	(5,159,216)
Total net position					<u>\$ (3,415,820)</u>	<u>\$ (3,415,820)</u>

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

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 130,366	\$ 1,868,635	\$	\$ 1,999,001	\$ 14,190	\$ 2,013,191
Tax rebate from City of League City, Note 9		722,957		722,957		722,957
Penalty and interest		10,108		10,108	4,464	14,572
Interest on deposits and investments	<u>879</u>	<u>12,195</u>	<u>2,966</u>	<u>16,040</u>		<u>16,040</u>
Total revenues	<u>131,245</u>	<u>2,613,895</u>	<u>2,966</u>	<u>2,748,106</u>	<u>18,654</u>	<u>2,766,760</u>
EXPENDITURES / EXPENSES						
Administration:						
Professional fees	95,531	2,692		98,223		98,223
Contracted services	6,000	44,567		50,567		50,567
Administrative expenditures	4,987	5,738		10,725		10,725
Debt service:						
Principal retirement		1,550,000		1,550,000	(1,550,000)	0
Interest and fees		<u>350,688</u>		<u>350,688</u>	<u>(17,681)</u>	<u>333,007</u>
Total expenditures / expenses	<u>106,518</u>	<u>1,953,685</u>	<u>0</u>	<u>2,060,203</u>	<u>(1,567,681)</u>	<u>492,522</u>
Excess (deficiency) of revenues over expenditures	<u>24,727</u>	<u>660,210</u>	<u>2,966</u>	<u>687,903</u>	<u>1,586,335</u>	<u>2,274,238</u>
Net change in fund balances / net position	24,727	660,210	2,966	687,903	1,586,335	2,274,238
Beginning of year	<u>177,474</u>	<u>395,366</u>	<u>790,584</u>	<u>1,363,424</u>	<u>(7,053,482)</u>	<u>(5,690,058)</u>
End of year	<u>\$ 202,201</u>	<u>\$ 1,055,576</u>	<u>\$ 793,550</u>	<u>\$ 2,051,327</u>	<u>\$ (5,467,147)</u>	<u>\$ (3,415,820)</u>

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

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6NOTES TO THE FINANCIAL STATEMENTSSEPTEMBER 30, 2017

NOTE 1: REPORTING ENTITY

Galveston County Municipal Utility District No. 6 (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) on March 14, 1979, and operates in accordance with Texas Water Code Chapters 49 and 54. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on March 19, 1979, and the first bonds were sold on September 1, 1982. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is located totally within the corporate limits of the City of League City (the "City"), and obtains water, sewer and drainage service from the City. As described in Note 9, the City and the District entered into a Utility Agreement (the "Agreement") on June 4, 1979, subsequently amended on August 27, 1981, to provide a water distribution system, sanitary sewer collection system and a drainage system (the "System") to serve the area within the District. In consideration of the District's acquiring and constructing the System on behalf of the City, the City agreed, pursuant to the terms and conditions of the Agreement, to own and operate the System and to provide a source of income to the District to aid it in meeting its obligations to pay principal and interest on the District's bonds sold to acquire and construct the System.

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 either not spendable, restricted, committed, assigned or unassigned. Nonspendable 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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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		\$ 2,051,327
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total capital assets, net		7,562,464
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	\$ (7,050,000)	
Deferred charge on refunding (to be amortized as interest expense)	9,474	
Issuance premium, net of discount (to be amortized as interest expense)	(14,229)	
Due to developers	<u>(6,000,000)</u>	(13,054,755)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Accrued penalty and interest on property taxes receivable	11,788	
Uncollected property taxes	<u>37,155</u>	48,943
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		<u>(23,799)</u>
Net position, end of year		<u>\$ (3,415,820)</u>

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

Total net change in fund balances		\$ 687,903
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:		
Principal reduction		1,550,000
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:		
Refunding costs	\$ (8,037)	
Issuance (discount) premium	<u>20,662</u>	12,625
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Accrued penalty and interest on property taxes receivable	4,464	
Uncollected property taxes	<u>14,190</u>	18,654
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:		
Accrued interest		<u>5,056</u>
Change in net position		<u>\$ 2,274,238</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

As further described in Note 9, under the terms of an agreement with the City of League City, the District has transferred to the City of League City the ownership of most of the capital assets constructed by the District. Under the terms of the agreement, the District is to pay for construction of a water distribution system, a sanitary sewer collection system and a drainage system to serve the District. The District shall be the owner of each phase of the system 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 Agreement are retired. In accordance with generally accepted accounting principles, the amount of outstanding net long-term debt related to the acquisition of capital assets, \$5,363,737, has been netted against the total of unrestricted net position, \$204,521, which resulted in a negative unrestricted net position balance of \$5,159,216 at September 30, 2017.

Capital asset activity for the fiscal year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 308,716	\$	\$	\$ 308,716
Detention pond	1,253,748			1,253,748
Construction in progress	<u>4,422,552</u>	<u>1,577,448</u>		<u>6,000,000</u>
Total capital assets not being depreciated	<u>\$ 5,985,016</u>	<u>\$ 1,577,448</u>	<u>\$ 0</u>	<u>\$ 7,562,464</u>
Changes to capital assets:				
Increase in liability to developer for construction		<u>\$ 1,577,448</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended September 30, 2017, 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	\$ 8,600,000	\$	\$ 1,550,000	\$ 7,050,000	\$ 1,595,000
Deferred amounts:					
For issuance premiums (discounts)	34,891		20,662	14,229	12,744
For refunding	<u>(17,511)</u>		<u>(8,037)</u>	<u>(9,474)</u>	<u>(5,683)</u>
Total bonds payable	<u>8,617,380</u>	<u>0</u>	<u>1,562,625</u>	<u>7,054,755</u>	<u>1,602,061</u>
Due to developer (see below)	<u>4,422,552</u>	<u>1,577,448</u>	<u>0</u>	<u>6,000,000</u>	-----
Total long-term liabilities	<u>\$ 13,039,932</u>	<u>\$ 1,577,448</u>	<u>\$ 1,562,625</u>	<u>\$ 13,054,755</u>	<u>\$ 1,602,061</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Developer Construction Commitments and Liabilities

A developer within the District has constructed water distribution systems, sanitary sewer collection systems and drainage systems to serve the District. The District has agreed to reimburse the developer for these costs, related engineering and interest not to exceed the interest rate of the applicable bond issue. These are to be reimbursed from the proceeds of future District bond issues to the extent approved by the Texas Commission on Environmental Quality. The developer's engineer stated that as of September 30, 2017, construction and engineering costs incurred or in progress by the District for reimbursement to the developer were approximately \$6,000,000. This amount has been recorded in the government-wide financial statements and in the schedule in Note 5.

As of September 30, 2017, the debt service requirements on the bonds payable were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,595,000	\$ 285,587	\$ 1,880,587
2019	1,675,000	223,263	1,898,263
2020	1,030,000	157,826	1,187,826
2021	735,000	117,675	852,675
2022	755,000	86,850	841,850
2023 - 2024	<u>1,260,000</u>	<u>82,562</u>	<u>1,342,562</u>
	<u>\$ 7,050,000</u>	<u>\$ 953,763</u>	<u>\$ 8,003,763</u>

Bonds voted	\$ 60,550,000
Bonds approved for sale and sold	32,210,000
Bonds voted and not issued	28,340,000
Refunding bonds voted	One and one-half times the amount of unlimited tax bonds previously issued

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

The bond issues payable at September 30, 2017, were as follows:

	<u>Series 2005</u>	<u>Series 2005-A</u>	<u>Series 2006</u>
Amounts outstanding, September 30, 2017	\$2,045,000	\$780,000	\$845,000
Interest rates	3.70% to 4.00%	4.00%	4.00%
Maturity dates, serially beginning/ending	September 1, 2018/2024	September 1, 2018/2022	September 1, 2018/2024
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2014*	September 1, 2015*	September 1, 2016*

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2008</u>	<u>Refunding Series 2010</u>	<u>Refunding Series 2013</u>
Amounts outstanding, September 30, 2017	\$1,050,000	\$1,365,000	\$965,000
Interest rates	5.25%	4.00%	3.25%
Maturity dates, serially beginning/ending	September 1, 2018/2024	September 1, 2018/2019	September 1, 2018/2020
Interest payment dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable dates	September 1, 2017*	Not callable	Not callable

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

NOTE 6: PROPERTY TAXES

The Galveston 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.

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

At an election held April 7, 1979, the voters within the District authorized a maintenance tax not to exceed \$1.00 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.

On September 12, 2016, the District levied the following ad valorem taxes for the 2016 tax year on the adjusted taxable valuation of \$437,680,269:

	<u>Rate</u>	<u>Amount</u>
Debt service	\$ 0.4300	\$ 1,882,025
Maintenance	<u>0.0300</u>	<u>131,304</u>
	<u>\$ 0.4600</u>	<u>\$ 2,013,329</u>

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

2016 tax year total property tax levy	\$ 2,013,329
Appraisal district adjustments to prior year taxes	<u>(138)</u>
Statement of Activities property tax revenues	<u>\$ 2,013,191</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

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

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

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$993,741 and the bank balance was \$993,869. Of the bank balance, \$906,929 was covered by federal insurance and \$86,940 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

At the balance sheet date the carrying value and market value of the investments in TexPool was \$1,036,519.

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

Debt Service Fund

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

Cash	\$ 32,818
Certificates of deposit	270,000
Temporary investments	<u>749,279</u>
	<u>\$ 1,052,097</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$ 243,582
Certificates of deposit	350,622
Temporary investments	<u>199,191</u>
	<u>\$ 793,395</u>

At September 30, 2017, the Texas Commission on Environmental Quality required that the District escrow \$90,846 from the proceeds of its Series 2003 issue and \$37,708 from the proceeds of its Series 2011 issue. At the balance sheet date, these funds were invested in interest-bearing cash accounts and certificates of deposit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: RISK MANAGEMENT

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

At September 30, 2017, the District had comprehensive general liability coverage with a per occurrence limit of \$1,000,000 and \$3,000,000 general aggregate, umbrella liability coverage of \$1,000,000 and a tax assessor-collector bond of \$10,000.

NOTE 9: CONTRACT WITH THE CITY OF LEAGUE CITY

The District entered into a Utility Agreement (the "Agreement") with the City of League City (the "City") on June 14, 1979, subsequently amended August 27, 1981 (the "Amendment"), for a period of forty years. Under the terms of the Agreement, the District is to pay for construction of a water distribution system, a sanitary sewer collection system and a drainage system to serve the District. The District shall be the owner of the system until the system is completed and approved by the City, at which time ownership of the system shall vest in the City. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the Agreement are retired. The City approved the Agreement by ordinance and approved the Amendment by resolution. The Agreement provided for a minimum 40% City tax rebate and the Amendment increased the tax rebate to 50% and added a requirement for the City to rebate water and sewer revenues collected in the District, net of the cost of providing the service. The City has never rebated net revenue to the District.

During the term of the Agreement, the City is obligated to maintain and operate the system in good working condition and to provide service to users within the District without discrimination. The City will fix rates and charges for customers in the District equal and uniform to the rates charged other similar users within the City. The City agrees to reserve the "rated capacity" of the sewage treatment plant and water plant which has been paid for by the District to serve persons within the District.

The City is obligated under the Agreement to pay to the District a percentage of the ad valorem taxes collected by the City in future years on land and improvement thereon within the District during the term of the District's bonds after deducting the costs of collection. Since the 1996 tax year, the percentage of rebate has been 40% of City taxes less 3% for costs of collection (see paragraph above). Ad valorem tax rebates are not recorded as revenues to the District until they are received. Ad valorem tax rebates of \$722,957 were received from the City during the fiscal year ended September 30, 2017.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 130,000	\$ 130,000	\$ 130,366	\$ 366
Interest on deposits and investments	<u>500</u>	<u>500</u>	<u>879</u>	<u>379</u>
TOTAL REVENUES	<u>130,500</u>	<u>130,500</u>	<u>131,245</u>	<u>745</u>
EXPENDITURES				
Administration:				
Professional fees	122,800	122,800	95,531	(27,269)
Contracted services	6,000	6,000	6,000	0
Administrative expenditures	<u>5,860</u>	<u>5,860</u>	<u>4,987</u>	<u>(873)</u>
TOTAL EXPENDITURES	<u>134,660</u>	<u>134,660</u>	<u>106,518</u>	<u>(28,142)</u>
EXCESS REVENUES (EXPENDITURES)	(4,160)	(4,160)	24,727	28,887
FUND BALANCE, BEGINNING OF YEAR	<u>177,474</u>	<u>177,474</u>	<u>177,474</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 173,314</u>	<u>\$ 173,314</u>	<u>\$ 202,201</u>	<u>\$ 28,887</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.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
SEPTEMBER 30, 2017

(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

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2017

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

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

2. Retail Service Providers

- a. Retail Rates for a 5/8" meter (or equivalent):
Contact the City of League City.
- b. Water and Wastewater Retail Connections within the District as of fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:
Contact the City of League City.

3. Total Water Consumption during the Fiscal Year (rounded to thousands):
Contact the City of League City.

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: _____

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6EXPENDITURESFOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Auditing	\$ 7,075	\$	\$	\$ 7,075
Legal	79,675	2,692		82,367
Financial advisor	1,200			1,200
Engineering	7,581			7,581
	<u>95,531</u>	<u>2,692</u>	<u>0</u>	<u>98,223</u>
Contracted services:				
Bookkeeping	6,000			6,000
Tax assessor-collector		28,500		28,500
Central appraisal district		16,067		16,067
	<u>6,000</u>	<u>44,567</u>	<u>0</u>	<u>50,567</u>
Administrative expenditures:				
Insurance	3,930	50		3,980
Other	1,057	5,688		6,745
	<u>4,987</u>	<u>5,738</u>	<u>0</u>	<u>10,725</u>
DEBT SERVICE				
Principal retirement	<u>0</u>	<u>1,550,000</u>	<u>0</u>	<u>1,550,000</u>
Interest and fees:				
Interest		346,263		346,263
Paying agent fees		4,425		4,425
	<u>0</u>	<u>350,688</u>	<u>0</u>	<u>350,688</u>
TOTAL EXPENDITURES	<u>\$ 106,518</u>	<u>\$ 1,953,685</u>	<u>\$ 0</u>	<u>\$ 2,060,203</u>

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	\$ 879	\$ 2,613,838	\$ 2,956	\$ 2,617,673
Maintenance tax receipts		130,366		130,366
Transfer of maintenance taxes	130,462			130,462
Overpayments from taxpayers		<u>9,150</u>		<u>9,150</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	<u>131,341</u>	<u>2,753,354</u>	<u>2,956</u>	<u>2,887,651</u>
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	114,309	52,967		167,276
Debt service		1,900,688		1,900,688
Prepaid bond expenditures	17,380			17,380
Transfer of maintenance taxes		130,462		130,462
Overpayment receivable		4,171		4,171
Refund of taxpayer overpayments		<u>8,835</u>		<u>8,835</u>
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	<u>131,689</u>	<u>2,097,123</u>	<u>0</u>	<u>2,228,812</u>
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	(348)	656,231	2,956	658,839
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	<u>185,116</u>	<u>395,866</u>	<u>790,439</u>	<u>1,371,421</u>
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	<u>\$ 184,768</u>	<u>\$ 1,052,097</u>	<u>\$ 793,395</u>	<u>\$ 2,030,260</u>

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

SEPTEMBER 30, 2017

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
TexPool				
No. 2550200003	Market	On demand	\$ <u>88,049</u>	\$ <u>0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 516377	0.20%	12/10/17	\$ 245,000	\$ 353
No. 3300041162	0.95%	2/12/18	<u>25,000</u>	<u>28</u>
			<u>\$ 270,000</u>	<u>\$ 381</u>
TexPool				
No. 2550200001	Market	On demand	\$ <u>749,279</u>	\$ <u>0</u>
CAPITAL PROJECTS FUND				
Certificates of Deposit				
No. 4000021820	0.40%	10/08/17	\$ 245,000	\$ 52
No. 0899602002	0.10%	10/12/17	<u>105,622</u>	<u>103</u>
			<u>\$ 350,622</u>	<u>\$ 155</u>
TexPool				
No. 2550200002	Market	On demand	\$ <u>199,191</u>	\$ <u>0</u>
Total – All Funds			<u>\$ 1,657,141</u>	<u>\$ 536</u>

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 1,391	\$ 21,574
Additions and corrections to prior year taxes	<u>(9)</u>	<u>(129)</u>
Adjusted receivable, beginning of year	1,382	21,445
2016 ADJUSTED TAX ROLL	<u>131,304</u>	<u>1,882,025</u>
Total to be accounted for	132,686	1,903,470
Tax collections: Current tax year	(130,003)	(1,863,375)
Prior tax years	<u>(363)</u>	<u>(5,260)</u>
RECEIVABLE, END OF YEAR	<u>\$ 2,320</u>	<u>\$ 34,835</u>

RECEIVABLE, BY TAX YEAR

2006	\$ 10	\$ 185
2007	7	160
2008	22	454
2009	22	411
2010	22	411
2011	94	1,709
2012	96	1,736
2013	113	2,056
2014	239	3,434
2015	393	5,631
2016	<u>1,301</u>	<u>18,650</u>
RECEIVABLE, END OF YEAR	<u>\$ 2,320</u>	<u>\$ 34,835</u>

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED SEPTEMBER 30, 2017

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land	\$ 80,290,430	\$ 74,429,290	\$ 70,834,590	\$ 70,834,590
Improvements	358,349,819	349,693,967	290,783,325	287,939,025
Personal property	8,927,601	4,345,021	4,375,004	3,752,552
Less exemptions	<u>(9,887,581)</u>	<u>(26,708,958)</u>	<u>(7,169,724)</u>	<u>(6,648,360)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 437,680,269</u>	<u>\$ 401,759,320</u>	<u>\$ 358,823,195</u>	<u>\$ 355,877,807</u>
TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.43000	\$ 0.43000	\$ 0.43947	\$ 0.41610
Maintenance tax rates*	<u>0.03000</u>	<u>0.03000</u>	<u>0.03053</u>	<u>0.02290</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.46000</u>	<u>\$ 0.46000</u>	<u>\$ 0.47000</u>	<u>\$ 0.43900</u>
TAX ROLLS	<u>\$ 2,013,329</u>	<u>\$ 1,848,093</u>	<u>\$ 1,686,460</u>	<u>\$ 1,562,291</u>
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	<u>99.0 %</u>	<u>99.7 %</u>	<u>99.8 %</u>	<u>99.9 %</u>

*Maximum tax rate approved by voters on April 7, 1979: \$1.00

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS
SEPTEMBER 30, 2017

Series 2005			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 250,000	\$ 79,500	\$ 329,500
2019	275,000	70,250	345,250
2020	275,000	59,938	334,938
2021	300,000	49,350	349,350
2022	310,000	37,800	347,800
2023	310,000	25,400	335,400
2024	325,000	13,000	338,000
TOTALS	\$ 2,045,000	\$ 335,238	\$ 2,380,238

Series 2005-A			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 140,000	\$ 31,200	\$ 171,200
2019	150,000	25,600	175,600
2020	155,000	19,600	174,600
2021	165,000	13,400	178,400
2022	170,000	6,800	176,800
TOTALS	\$ 780,000	\$ 96,600	\$ 876,600

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

SEPTEMBER 30, 2017

<u>Series 2006</u>			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 100,000	\$ 33,800	\$ 133,800
2019	110,000	29,800	139,800
2020	115,000	25,400	140,400
2021	120,000	20,800	140,800
2022	125,000	16,000	141,000
2023	135,000	11,000	146,000
2024	<u>140,000</u>	<u>5,600</u>	<u>145,600</u>
TOTALS	<u>\$ 845,000</u>	<u>\$ 142,400</u>	<u>\$ 987,400</u>

<u>Series 2008</u>			
<u>Due During Fiscal Years Ending September 30</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 125,000	\$ 55,125	\$ 180,125
2019	125,000	48,563	173,563
2020	150,000	42,000	192,000
2021	150,000	34,125	184,125
2022	150,000	26,250	176,250
2023	175,000	18,375	193,375
2024	<u>175,000</u>	<u>9,187</u>	<u>184,187</u>
TOTALS	<u>\$ 1,050,000</u>	<u>\$ 233,625</u>	<u>\$ 1,283,625</u>

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2017

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2010</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 675,000	\$ 54,600	\$ 729,600
2019	<u>690,000</u>	<u>27,600</u>	<u>717,600</u>
TOTALS	<u>\$ 1,365,000</u>	<u>\$ 82,200</u>	<u>\$ 1,447,200</u>

<u>Due During Fiscal Years Ending September 30</u>	<u>Series 2013</u>		
	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2018	\$ 305,000	\$ 31,362	\$ 336,362
2019	325,000	21,450	346,450
2020	<u>335,000</u>	<u>10,888</u>	<u>345,888</u>
TOTALS	<u>\$ 965,000</u>	<u>\$ 63,700</u>	<u>\$ 1,028,700</u>

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)
SEPTEMBER 30, 2017

<u>Due During Fiscal Years Ending September 30</u>	<u>Annual Requirements for All Series</u>		
	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total</u>
2018	\$ 1,595,000	\$ 285,587	\$ 1,880,587
2019	1,675,000	223,263	1,898,263
2020	1,030,000	157,826	1,187,826
2021	735,000	117,675	852,675
2022	755,000	86,850	841,850
2023	620,000	54,775	674,775
2024	640,000	27,787	667,787
 TOTALS	 \$ 7,050,000	 \$ 953,763	 \$ 8,003,763

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Bond Series:	2005	2005-A	2006
Interest Rate:	3.70% to 4.00%	4.00%	4.00%
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1
Maturity Dates:	September 1, 2018/2024	September 1, 2018/2022	September 1, 2018/2024
Bonds Outstanding at Beginning of Current Year	\$ 2,295,000	\$ 915,000	\$ 945,000
Less Retirements	<u>(250,000)</u>	<u>(135,000)</u>	<u>(100,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 2,045,000</u>	<u>\$ 780,000</u>	<u>\$ 845,000</u>
Current Year Interest Paid	<u>\$ 88,625</u>	<u>\$ 36,600</u>	<u>\$ 37,800</u>

Bond Descriptions and Original Amount of Issue

- (1) Galveston County Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2005 (\$4,970,000)
- (2) Galveston County Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2005-A (\$1,970,000)
- (3) Galveston County Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2006 (\$1,700,000)

Paying Agent/Registrar

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

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>Totals</u>
Bond Series:	2008	2010	2013	
Interest Rate:	5.25%	4.00%	3.25%	
Dates Interest Payable:	March 1/ September 1	March 1/ September 1	March 1/ September 1	
Maturity Dates:	September 1, 2018/2024	September 1, 2018/2019	September 1, 2018/2020	
Bonds Outstanding at Beginning of Current Year	\$ 1,175,000	\$ 2,010,000	\$ 1,260,000	\$ 8,600,000
Less Retirements	<u>(125,000)</u>	<u>(645,000)</u>	<u>(295,000)</u>	<u>(1,550,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,050,000</u>	<u>\$ 1,365,000</u>	<u>\$ 965,000</u>	<u>\$ 7,050,000</u>
Current Year Interest Paid	<u>\$ 62,625</u>	<u>\$ 80,400</u>	<u>\$ 40,213</u>	<u>\$ 346,263</u>

Bond Descriptions and Original Amount of Issue

- (4) Galveston County Municipal Utility District No. 6 Unlimited Tax Bonds, Series 2008 (\$1,980,000)
- (5) Galveston County Municipal Utility District No. 6 Unlimited Tax Refunding Bonds, Series 2010 (\$4,185,000)
- (6) Galveston County Municipal Utility District No. 6 Unlimited Tax Refunding Bonds, Series 2013 (\$1,815,000)

Paying Agent/Registrar

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

<u>Bond Authority</u>	<u>Tax Bonds</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized by Voters:	\$ 60,550,000	\$ 0	1.5 times the
Amount Issued:	32,210,000		amount of
Remaining to be Issued:	28,340,000		outstanding bonds

Net Debt Service Fund deposits and investments balances as of September 30, 2017: \$1,055,576
Average annual debt service payment for remaining term of all debt: 1,143,395

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED SEPTEMBER 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES										
Property taxes	\$ 130,366	\$ 120,159	\$ 109,251	\$ 81,541	\$ 80,062	99.3 %	99.6 %	99.8 %	99.7 %	99.5 %
Interest on deposits and investments	<u>879</u>	<u>461</u>	<u>208</u>	<u>236</u>	<u>383</u>	<u>0.7</u>	<u>0.4</u>	<u>0.2</u>	<u>0.3</u>	<u>0.5</u>
TOTAL REVENUES	<u>131,245</u>	<u>120,620</u>	<u>109,459</u>	<u>81,777</u>	<u>80,445</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Administration:										
Professional fees	95,531	91,353	59,336	77,149	96,882	72.8	75.8	54.2	94.4	120.4
Contracted services	6,000	6,000	6,000	6,000	6,000	4.6	5.0	5.5	7.3	7.5
Administrative expenditures	4,987	6,807	6,029	6,651	6,669	3.8	5.6	5.5	8.1	8.3
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,200</u>	<u>0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>25.9</u>	<u>0.0</u>
TOTAL EXPENDITURES	<u>106,518</u>	<u>104,160</u>	<u>71,365</u>	<u>111,000</u>	<u>109,551</u>	<u>81.2</u>	<u>86.4</u>	<u>65.2</u>	<u>135.7</u>	<u>136.2</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 24,727</u>	<u>\$ 16,460</u>	<u>\$ 38,094</u>	<u>\$ (29,223)</u>	<u>\$ (29,106)</u>	<u>18.8 %</u>	<u>13.6 %</u>	<u>34.8 %</u>	<u>(35.7) %</u>	<u>(36.2) %</u>

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND
FOR YEARS ENDED SEPTEMBER 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES										
Property taxes	\$ 1,868,635	\$ 1,722,367	\$ 1,573,648	\$ 1,481,627	\$ 1,454,802	71.4 %	70.9 %	68.8 %	67.0 %	66.5 %
Penalty and interest	10,108	12,457	8,441	11,130	8,112	0.4	0.5	0.4	0.5	0.4
Tax rebate from City of League City	722,957	691,742	703,564	714,254	717,039	27.7	28.4	30.8	32.3	32.8
Accrued interest on bonds received at date of sale	0	0	0	3,633	0	0.0	0.0	0.0	0.2	0.0
Interest on deposits and investments	12,195	4,909	1,122	1,044	6,037	.5	0.2	0.0	0	0.3
TOTAL REVENUES	<u>2,613,895</u>	<u>2,431,475</u>	<u>2,286,775</u>	<u>2,211,688</u>	<u>2,185,990</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Professional fees	2,692	3,239	1,957	2,838	2,475	0.1	0.1	0.1	0.1	0.1
Contracted services	44,567	41,636	39,635	39,936	37,509	1.7	1.7	1.7	1.8	1.7
Other expenditures	5,738	9,818	6,201	5,694	4,481	0.2	0.4	0.3	0.3	0.2
Debt service:										
Principal retirement	1,550,000	1,885,000	1,770,000	1,690,000	2,805,000	59.3	77.6	77.4	76.4	128.4
Interest and fees	350,688	424,156	479,875	533,136	675,987	13.4	17.4	21.0	24.1	30.9
TOTAL EXPENDITURES	<u>1,953,685</u>	<u>2,363,849</u>	<u>2,297,668</u>	<u>2,271,604</u>	<u>3,525,452</u>	<u>74.7</u>	<u>97.2</u>	<u>100.5</u>	<u>102.7</u>	<u>161.3</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 660,210</u>	<u>\$ 67,626</u>	<u>\$ (10,893)</u>	<u>\$ (59,916)</u>	<u>\$(1,339,462)</u>	<u>25.3 %</u>	<u>2.8 %</u>	<u>(0.5) %</u>	<u>(2.7) %</u>	<u>(61.3) %</u>

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSSEPTEMBER 30, 2017

Complete District Mailing Address: Galveston County Municipal Utility District No. 6
c/o Gregg & Gregg P.C.
16055 Space Center Boulevard, Suite 150
Houston, Texas 77062

District Business Telephone No.: 281-480-1211

Submission date of the most recent District Registration Form: November 14, 2016

Limit on Fees of Office that a Director may receive during a fiscal year: \$6,000

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>
Wayde Shipman c/o Gregg & Gregg P.C. 16055 Space Center Boulevard, Suite 150 Houston, Texas 77062	Elected 11/04/14- 11/04/18	\$ 0	\$ 0	President
Bill Heins c/o Gregg & Gregg P.C. 16055 Space Center Boulevard, Suite 150 Houston, Texas 77062	Elected 11/04/14- 11/04/18	0	0	Vice President
Mark Domma c/o Gregg & Gregg P.C. 16055 Space Center Boulevard, Suite 150 Houston, Texas 77062	Elected 11/04/14- 11/04/18	0	0	Secretary
Tye Cowan c/o Gregg & Gregg P.C. 16055 Space Center Boulevard, Suite 150 Houston, Texas 77062	Elected 11/01/16- 11/01/20	0	0	Director
Gary Burt c/o Gregg & Gregg P.C. 16055 Space Center Boulevard, Suite 150 Houston, Texas 77062	Elected 11/06/16- 11/01/20	0	0	Director

See accompanying independent auditor's report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 6BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)SEPTEMBER 30, 2017CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Gregg & Gregg P.C. 16055 Space Center Boulevard, Suite 150 Houston, Texas 77062	6/07/10	\$ 79,675	Attorney
Linebarger, Heard, Goggan, Blair & Sampson, L.L.P. P. O. Drawer 2789 Texas City, Texas 77592-2789	5/02/11	2,692	Delinquent Tax Attorney
Municipal Business Services, Inc. P.O. Box 890466 Houston, Texas 77289	4/13/00	6,000	Bookkeeper
Bob Ideus Municipal Business Services, Inc. P.O. Box 890466 Houston, Texas 77289	4/13/00	0	Investment Officer
Blackline Engineering 2100 W. Loop South, Suite 700 Houston, Texas 77027	11/20/12	7,581	Engineer
Thomas W. Lee P.O. Box 1368 Friendswood, Texas 77546	Prior to 10/01/86	31,050	Tax Assessor- Collector
Galveston Central Appraisal District P.O. Box 3647 Texas City, Texas 77592	Legislative Action	16,067	Central Appraisal District
The GMS Group, Inc. 5075 Westheimer, Suite 1175 Houston, Texas 77056	7/01/13	1,200	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C-2 Stafford, Texas 77477	Prior to 10/01/93	7,075	Independent Auditor

See accompanying independent auditor's report.

APPENDIX B

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

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN