OFFICIAL STATEMENT DATED APRIL 15, 2019

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

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS – QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE - Book-Entry-Only

Rating: S&P: "A" (Stable Outlook)
See "MUNICIPAL BOND RATING" herein.

$2,550,000
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12
(A political subdivision of the State of Texas located within Galveston County)
UNLIMITED TAX BONDS, SERIES 2019

Dated: May 1, 2019 **Due: September 1, as shown below**

The bonds described above (the "Bonds"), when issued, will constitute valid and legally binding obligations of Galveston County Municipal Utility District No. 12 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Galveston County, the Cities of Bayou Vista, La Marque, or Hitchcock, Texas or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

Principal of the Bonds will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar", "Paying Agent" or "Registrar") in Dallas, Texas. Interest on the Bonds will accrue from May 1, 2019, and is payable on September 1, 2019 (four months of interest) and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown below.

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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

Due Sept. 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number 364225 (b)	Due Sept. 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number 364225 (b)
2020	$ 55,000	5.500%	1.900%	DF6	2026	$ 75,000 (c)	3.250%	2.550%	DM1
2021	60,000	5.500%	1.950%	DG4	2027	75,000 (c)	3.250%	2.700%	DN9
2022	60,000	5.500%	2.000%	DH2	2028	80,000 (c)	3.250%	2.800%	DP4
2023	65,000	5.500%	2.050%	DJ8	2029	85,000 (c)	3.250%	2.900%	DQ2
2024	65,000	5.500%	2.150%	DK5	2030	90,000 (c)	3.250%	3.000%	DR0
2025	70,000	5.500%	2.300%	DL3					

$190,000 Term Bonds due September 1, 2032 (c), 364225 DT6 (b), 3.250% Interest Rate, 3.100% Yield (a)
$205,000 Term Bonds due September 1, 2034 (c), 364225 DV1 (b), 3.250% Interest Rate, 3.200% Yield (a)
$225,000 Term Bonds due September 1, 2036 (c), 364225 DX7 (b), 3.250% Interest Rate, 3.300% Yield (a)
$245,000 Term Bonds due September 1, 2038 (c), 364225 DZ2 (b), 3.250% Interest Rate, 3.400% Yield (a)
$275,000 Term Bonds due September 1, 2040 (c), 364225 EB4 (b), 3.375% Interest Rate, 3.500% Yield (a)
$630,000 Term Bonds due September 1, 2044 (c), 364225 EF5 (b), 3.500% Interest Rate, 3.550% Yield (a)

(a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser (as herein defined) for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from May 1, 2019, is to be added to the price.

(b) CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(c) Bonds maturing on and after September 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds are also subject to mandatory redemption as described herein. See "THE BONDS-Redemption Provisions."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bacon & Wallace, L.L.P., Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about May 16, 2019.

Table of Contents

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 representation must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in 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 qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Bacon & Wallace, L.L.P., 6363 Woodway, Suite 800, Houston, Texas 77057, upon payment of duplication costs.

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

The Issuer .... Galveston County Municipal Utility District No. 12 (the "District"), a political subdivision of the State of Texas, is located in Galveston County, Texas. See "THE DISTRICT."

The Issue .... $2,550,000 Unlimited Tax Bonds, Series 2019 (the "Bonds") are issued pursuant to a resolution (the "Bond Resolution") of the District's Board of Directors. The Bonds will be issued as fully registered bonds maturing serially on September 1 in each of the years 2020 through 2030, both inclusive, and as term bonds on September 1 in the years 2032, 2034, 2036, 2038, 2040, and 2044 (the "Term Bonds") in the principal amounts and accruing interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from May 1, 2019 and is payable on September 1, 2019 (four months of interest), and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption.

Redemption……………… The Bonds maturing on and after September 1, 2026, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2025, or on any date thereafter. The Term Bonds are also subject to mandatory sinking fund redemption as described herein. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See "THE BONDS – Redemption Provisions."

Book-Entry-Only System... The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM."

Source of Payment .... The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "TAX PROCEDURES." The Bonds are obligations of the District and are not obligations of the State of Texas, Galveston County, the Cities of Bayou Vista, La Marque, or Hitchcock, Texas, or any other political subdivision or agency other than the District. See "THE BONDS-Source of and Security for Payment."

Use of Proceeds .... Proceeds from the sale of the Bonds will be used to pay for items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS" and to pay certain other costs and fees related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Payment Record............... The District has previously issued five series of unlimited tax bonds, of which $185,000 principal amount remains outstanding as of March 25, 2019 (the "Outstanding Bonds"). The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

Qualified Tax-
Exempt Obligations .... The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2019 is not expected to exceed $10,000,000. See "TAX MATTERS—Qualified Tax-Exempt Obligations."

Municipal Bond Rating .... S&P Global Ratings, a business unit of Standard & Poor's Financial Serves LLC ("S&P"), has assigned a credit rating of "A" (Stable Outlook) to the Bonds. An explanation of the rating may be obtained from S&P, 55 Water Street, New York, New York 10041. The rating fees of S&P will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser.

Legal Opinion .... Bacon & Wallace, L.L.P., Bond Counsel, Houston, Texas.

Disclosure Counsel .... McCall, Parkhurst & Horton LLP, Houston, Texas

Financial Advisor .... Post Oak Municipal Advisors LLC, Houston, Texas.

Engineer .... AEI Engineering, LLC, Houston, Texas.

Investment Considerations .... The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

THE DISTRICT

Description .... The District, a political subdivision of the State of Texas, was created by an order of the Texas Water Commission, a predecessor to the Texas Commission on Environmental Quality ("TCEQ" or the "Commission") dated September 1, 1981, and currently operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains approximately 377 acres of land, of which approximately 290 acres are within the corporate limits of the City of Bayou Vista, Texas, approximately 73 acres are within the corporate limits of the City of La Marque, Texas, and approximately 14 acres are within the extraterritorial jurisdiction of the City of Hitchcock, Texas. The District is within Texas City Independent School District and is located approximately 42 miles southeast of the central business district of Houston at the intersection of Highway 6 and Interstate Highway 45. See "AERIAL PHOTOGRAPH."

Status of Development .... Residential development in the District consists of primary and secondary homes located on bulk-headed water frontage facing either Highland Bayou or a deep water canal system leading into the Highland Bayou. As of March 25, 2019, approximately 1,525 developed single-family residential lots have been completed, and single-family homes have been constructed on all of the lots (1,484 of which are occupied). Commercial development in the District consists of an automotive sales and service business, a gas station and convenience store, two restaurants, a strip center with various retail, service and professional businesses, two real estate offices, and a marine sales and service business. All of the land in the District has been developed.

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

The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, and brought historic levels of rainfall during the successive four days. There was no interruption of water and sewer service to the District, and the District's system did not sustain any material damage as a result of Hurricane Harvey. To the knowledge of the District, no residential or, commercial or industrial properties within the District experienced structural flooding or other damage as a result of Hurricane Harvey. See "INVESTMENT CONSIDERATIONS–Recent Extreme Weather Events; Hurricane Harvey."

INVESTMENT CONSIDERATIONS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE ENTIRE OFFICIAL STATEMENT FOR A DISCUSSION OF INVESTMENT RISKS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION

2018 Certified Taxable Assessed Valuation	$283,418,030 (a)
Gross Debt Outstanding (after issuance of the Bonds)	$2,735,000
Estimated Overlapping Debt	11,341,755
Gross Debt and Estimated Overlapping Debt	$14,076,755
Ratio of Gross Debt to:	
2018 Certified Taxable Assessed Valuation	0.97%
Ratio of Gross Debt and Estimated Overlapping Debt to:	
2018 Certified Taxable Assessed Valuation	4.97%
Fund Balances Available as of September 30, 2018:	
Operating Fund	$833,414
Capital Projects Fund	$279
Debt Service Fund	$127,284 (b)
2018 Tax Rate:	
Debt Service	$0.0678
Maintenance and Operations	$0.1717
Total	$0.2395
Average Annual Debt Service Requirements (2019-2044) of the Bonds and the Outstanding Bonds ("Average Requirement")	$158,282
Tax rate required to pay Average Requirement based upon:	
2018 Certified Taxable Assessed Valuation at a 95% collection rate	$0.06 /$100 A.V.
Maximum Annual Debt Service Requirements (2019) of the Bonds and the Outstanding Bonds ("Maximum Requirement")	$218,852
Tax rate required to pay Maximum Requirement based upon:	
2018 Certified Taxable Assessed Valuation at a 95% collection rate	$0.09 /$100 A.V.

(a) As certified by the Galveston County Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
(b) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Funds

OFFICIAL STATEMENT

$2,550,000
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12
(A political subdivision of the State of Texas located within Galveston County)
UNLIMITED TAX BONDS, SERIES 2019

This Official Statement provides certain information in connection with the issuance by Galveston County Municipal Utility District No. 12 (the "District") of its $2,550,000 Unlimited Tax Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held in the District, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), and an order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Bacon & Wallace, L.L.P., the District's Bond Counsel and General Counsel, 6363 Woodway, Suite 800, Houston, Texas 77057, upon payment of duplication costs.

THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated and accrue interest from May 1, 2019, which interest is payable on September 1, 2019 (four months of interest) and on each March 1 and September 1 thereafter, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years and bear interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

The Bonds will be issued in fully registered form in denominations of $5,000 or integral multiples thereof.

Authority for Issuance

At a bond election held within the District on May 5, 2018, the voters of the District authorized the issuance of a total of $4,400,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water and sanitary sewer facilities. The Bonds are being issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution; an Order of the Commission; Article XVI, Section 59 of the Texas Constitution; and Chapters 49 and 54 of the Texas Water Code, as amended.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owners as shown on the Register on the fifteenth (15th) day (whether or not a business day) of the month prior to each interest payment date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any future bonds payable in whole or in part from taxes, with full allowance being made for delinquencies and costs of collection.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Galveston County, the Cities of Bayou Vista, La Marque, and Hitchcock, Texas or any entity other than the District.

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, to pay the costs of acquiring or constructing District water and sanitary sewer facilities and to pay the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

No Arbitrage

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

Record Date

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in the years 2032, 2034, 2036, 2038, 2040, and 2044 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced, at the option of the District, by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$190,000 Term Bonds Due September 1, 2032	
Mandatory Redemption Date	Principal Amount
2031	$ 95,000
2032 (maturity)	95,000

$205,000 Term Bonds Due September 1, 2034	
Mandatory Redemption Date	Principal Amount
2033	$ 100,000
2034 (maturity)	105,000

$225,000 Term Bonds Due September 1, 2036	
Mandatory Redemption Date	Principal Amount
2035	$ 110,000
2036 (maturity)	115,000

$245,000 Term Bonds Due September 1, 2038	
Mandatory Redemption Date	Principal Amount
2037	$ 120,000
2038 (maturity)	125,000

$275,000 Term Bonds Due September 1, 2040	
Mandatory Redemption Date	Principal Amount
2039	$ 135,000
2040 (maturity)	140,000

$630,000 Term Bonds Due September 1, 2044	
Mandatory Redemption Date	Principal Amount
2041	$ 145,000
2042	155,000
2043	160,000
2044 (maturity)	170,000

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2026, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2025, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See "BOOK-ENTRY-ONLY SYSTEM."

Replacement of Paying Agent/Registrar

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

Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, stolen or destroyed, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Issuance of Additional Debt

At a bond election held within the District on May 5, 2018, voters of the District authorized the issuance of an aggregate of $4,400,000 principal amount of unlimited tax bonds for water sanitary sewer facilities. After the issuance of the Bonds, the District will have $1,850,000 principal amount of authorized but unissued unlimited tax bonds.

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

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park projects and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has no current plans to seek such authorization for park bonds.

Pursuant to Chapter 54 of the Water Code, a municipal utility district may petition the TCEQ for the power to issue bonds supported by property taxes to finance roads. Before the District could issue such bonds, the District would be required to receive a grant of such power from the TCEQ, authorization from the District's voters to issue such bonds, and approval of the bonds by the Attorney General of Texas. The District has not considered filing an application to the TCEQ for "road powers" nor calling such an election at this time.

Issuance of additional bonds could dilute the investment security for the Bonds.

Annexation

Of the 377 acres comprising the District, approximately 290 acres are located within the corporate limits of the City of Bayou Vista, Texas, approximately 73 acres are located within the corporate limits of the City of La Marque, Texas, and approximately 14 acres are located within the extraterritorial jurisdiction of the City of Hitchcock, Texas. Pursuant to Texas law, if a district is located wholly in two or more municipalities and in unincorporated area, the district may be abolished by agreement among the district and all of the municipalities in which parts of the district are located. The abolition agreement must provide for the distribution of the property and other assets of the district and for the pro rata assumption by the municipalities of all the debts, liabilities, and obligations of the district. The assumption by each municipality must be based on the ratio that the value of the property and other assets distributed to that municipality bears to the total value of all property and other assets of the district. The abolition agreement must also provide for the distribution of assets and liabilities located within the unincorporated area and must provide for service to customers in unincorporated areas in the service area of the abolished district. The municipality that provides service to the unincorporated area may charge its usual and customary fees and assessments to the customers in that area. The abolition agreement must be adopted by the governing body of each municipality and by the board of directors of the district before the date specified for abolition, distribution and assumption.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

General

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency'' registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Initial Purchaser take any responsibility for the accuracy thereof.

THE DISTRICT

General

Galveston County Municipal Utility District No. 12 (the "District"), a political subdivision of the State of Texas, was created by an order of the Texas Water Commission, a predecessor to the TCEQ, on September 1, 1981, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water, the collection, transportation, and treatment of wastewater and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

Description

The District contains approximately 377 acres of land, of which approximately 290 acres are within the corporate limits of the City of Bayou, Texas, approximately 73 acres are within the corporate limits of the City of La Marque, Texas, and approximately 14 acres are located in the extraterritorial jurisdiction of the City of Hitchcock, Texas. The

District is within Texas City Independent School District and is located approximately 42 miles southeast of the central business district of Houston at the intersection of Highway 6 and Interstate Highway 45. See “AERIAL PHOTOGRAPH.”

Status of Development

Residential development in the District consists of primary and secondary homes located on bulk-headed water frontage facing either Highland Bayou or a deep water canal system leading into the Highland Bayou. As of March 25, 2019, approximately 1,525 developed single-family residential lots have been completed, and single-family homes have been constructed on all such lots (1,484 of which are occupied). Commercial development in the District consists of an automotive sales and service business, a gas station and convenience store, two restaurants, a strip center with various retail, service and professional businesses, two real estate offices, and a marine sales and service business. All of the land in the District has been developed.

Status of Development as of March 25, 2019:

Total Developed Lots…………………………………………………	1,525	
Occupied Single-Family Homes………………………………………	1,470	
Commercial Lots……………………………………………………......	14	
Vacant Single Family Homes…………………………………………	41	
Estimated Population………………………………………………….	5,145	(a)

(a) Based on 3.5 persons per occupied single-family residence.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors, which has control over and management supervision of all affairs of the District. The Directors and Officers of the District are listed below:

Name	District Board Title	Term Expires
Richard Matthews	President	May 2022
Vacant	Vice President	May 2022
Robert A. Bassett	Secretary/Treasurer	May 2020
Carter Tull	Assistant Secretary/Treasuser	May 2020
Eric Moeller	Director	May 2022

General Manager

The District has employed Sharon Ballard and James Ward to serve as the District’s Office Manager and Operations Manager, respectively. Ms. Ballard is responsible for the monthly billing of water and sewer services and has been employed by the District for over eleven years. Mr. Ward is responsible for operation and management of the water system and wastewater treatment system and has been employed by the District for twenty-seven years. The District employs a total of five individuals to handle operation and management of the system.

The District has established a SEP-IRA defined contribution pension plan for all of its full-time employees. Plan provisions may be amended by the Board of Directors of the District. Employees with two years of service are eligible to participate. The plan provides that the District will contribute at a rate (measured as a percentage of the employee's salary) to be determined each year at the sole discretion of the Board of Directors. The plan is administered by a broker-dealer and contributions are invested in mutual funds at the discretion of the plan participants. Activity of the plan is not reported in the financial statements of the District. Contributions are recognized in the period that the contributions are due. The contribution for the fiscal year ended September 30, 2018, was $15,863 (6.00% of base salary for five employees).

Employees of the District participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or unforeseen emergency. The plan is administered by a broker-dealer and contributions are invested in mutual funds at the discretion of the plan participants. Activity of the plan is not reported in the financial statements of the District.

The District has contracted for certain services with various entities as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Cheryl Johnson, the Galveston County Tax Assessor/Collector, is currently serving in this capacity for the District.

Bookkeeper

The District contracts with Whitley Penn, LLP for bookkeeping services.

Engineer

AEI Engineering, LLC ("Engineer") serves as the consulting civil engineer for the District in connection with the design and construction of the District's facilities.

Attorney

The District has engaged Bacon & Wallace, L.L.P. as general counsel and as Bond Counsel in connection with the issuance of the Bonds. 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.

Financial Advisor

Post Oak Municipal Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fee to be paid the Financial Advisor is contingent upon sale and delivery of the Bonds.

Auditor

As required by the Texas Water Code, the District retains an independent accountant to audit the District's financial statements annually, which audited financial statements are filed with the Commission. The District's financial statements for the fiscal year ended September 30, 2018 have been audited by Roth & Eyring, PLLC. See "APPENDIX A" for a copy of the District's September 30, 2018 audited financial statements.

THE SYSTEM

According to the Engineer (hereinafter defined), the District's water distribution, sanitary sewer collection, and treatment and drainage facilities (collectively, the "System") have been designed in accordance with the criteria of various regulatory agencies including Galveston County and the TCEQ.

Water Supply

The District has entered into an agreement with the Gulf Coast Water Authority (the "Authority") to receive treated surface water from the Authority. The District rechlorinates and pumps the water into the distribution system from its water plant. The District's Water Plant contains two ground storage tanks with a combined capacity of 568,000 gallons, two 25,000 gallon hydropneumatic tanks, 3,150 gallons per minute ("gpm") of total booster pumps capacity, and a 750 gpm well to supplement the water supplied by the Authority during peak period of demand. A portion of the proceeds from the Bonds will be expended to finance engineering and construction to remove and replace ground storage tank no. 1 at the District's water plant. See "Use and Distribution of Bond Proceeds" herein. According to the Engineer, the current water facilities are adequate to provide capacity to serve existing development within the District.

Wastewater Collection and Treatment

Wastewater treatment service is currently provided by a 400,000 gallon per day ("gpd") wastewater treatment plant located within the District. According to the Engineer, the actual average daily flow is approximately 300,000 gpd. The District's existing wastewater treatment capacity is adequate to serve the existing development.

Drainage

Drainage from the District is generally through swales, open ditches, and culverts which eventually outfall to drainage channels then into the adjacent bayou and onto Galveston Bay.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year.

According to the Engineer, the entire District is located within the 100-year flood plain. All equipment is or will be elevated and/or protected from the 100-year flood stage. Galveston County is responsible for maintaining restrictions on minimum floor slab elevations in the District. All homes are constructed on piers with the bottom of the lowest horizontal beam between 15 and 16 feet, mean sea level ("msl"). The Federal Emergency Management Association has established 100-year flood plain elevations of 15 feet msl in some areas, 16 feet msl in other areas, and 12 feet msl in one small area. The area was subjected to a hurricane in 2017. See "INVESTMENT CONSIDERATIONS—Hurricane Risk." Prior to this, the most recent hurricanes were in 2008, 1983 and 1961.

Water Supply Contract with Gulf Coast Water Authority

On July 1, 1998, the District contracted with Gulf Coast Water Authority (the "Authority") to receive a potable water supply from the Authority's Mainland System in lieu of its previous water supply from the City of Galveston. Under the agreement, the Authority issued contract revenue bonds and completed the construction of the Mainland System's South Project in August 2001. The agreement continues until December 31, 2022 and thereafter until payment in full of the principal, premium, if any, and interest and related fees on all bonds sold to finance the facilities to transport water to the District. Under the terms of the contract, the District is to pay a monthly charge comprised of its share of the debt service costs, raw water costs and operating costs incurred to furnish water to the District by the Authority. The agreement includes a minimum take or pay amount of 250,000 gpd of treated surface water and gives the District a reserve capacity of 450,000 gpd.

USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, $2,152,540 is estimated for construction costs, $197,625 is estimated for non-construction costs, and $199,835 is estimated for issuance costs and fees.

I.	**CONSTRUCTION COSTS**	
	• Wastewater Treatment Plant Improvements Rehabilitation and Oder Control…………………………………………..	$ 1,489,540
	• Water Plant Groundwater Strorage Tank Replacement…………………………………………………………...	663,000
	Total Construction Costs…………………………………………………..	**$ 2,152,540**
II.	**NON-CONSTRUCTION COSTS**	
	• Bond Discount ………………………………………………………………	$ -
	• Capitalized Interest…………………………………………………………...	-
	• Contingency (a)………………………………………………………………	197,625
	Total Non-Construction Costs………………………………………………	**$ 197,625**
III.	**ISSUANCE COSTS AND FEES**	
	• Issuance Costs and Professional Fees…………………………………….	$ 190,910
	• Regulatory Fees………………………………………………………………	8,925
	Total Non-Construction Costs………………………………………………	**$ 199,835**
	TOTAL BOND ISSUE……………………………………………………	**$ 2,550,000**

(a) In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the event actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Although net revenues from operations of the District's water and sanitary sewer system, if any, are not pledged to the payment of the Outstanding Bonds and the Bonds, such net revenues are available for any legal purpose, including the payment of debt service on the Outstanding Bonds and the Bonds, upon Board action. The District does not anticipate any significant net revenues to be available for such purposes.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements. Reference is made to such statements and records for further and more complete information.

	Fiscal Year Ended September 30				
	2018	2017	2016	2015	2014
Revenues:					
Property Taxes	$ 470,508	$ 431,667	$ 402,626	$ 362,559	$ 343,590
Water Service	472,803	449,535	426,238	439,688	388,769
Sewer Service	564,416	554,303	599,975	368,873	356,578
Penalty	8,847	11,254	12,102	11,675	13,105
Tap Connection	4,700	13,500	24,000	20,900	12,370
Lease and Rental	20,000	18,450	18,100	16,010	599
Interest on Deposits and Investments	11,361	5,251	2,045	682	22,450
Other Revenues	9,166	8,994	8,703	16,929	7,290
Total Revenues	$ 1,561,801	$ 1,492,954	$ 1,493,789	$ 1,237,316	$ 1,144,751
Expenditures:					
Purchased Water	$ 180,803	$ 171,473	$ 171,939	$ 141,360	$ 124,304
Personnel Costs	394,228	375,099	361,270	305,366	286,317
Professional Fees	155,048	85,165	71,069	21,690	16,880
Contracted Services	32,461	26,068	22,160	22,230	20,755
Utilities	48,603	40,250	47,667	54,596	53,066
Repairs and Maintenance	431,365	350,706	378,022	174,864	156,897
Other Operating Expenditures	61,384	68,408	77,272	55,666	55,402
Administrative Expenditures	131,360	120,716	103,416	114,380	98,942
Debt Service (Revenue Note Payment)	-	-	-	-	203,746
Capital Outlay	376,824	249,107	49,623	2,944	10,660
Total Expenditures	$ 1,812,076	$ 1,486,992	$ 1,282,438	$ 893,096	$ 1,026,969
Excess Revenues (Expenditures)	$ (250,275)	$ 5,962	$ 211,351	$ 344,220	$ 117,782
Other Financing Sources (Uses)					
Transfer (to) from Other Fund	-	-	(41,901)	-	-
Excess Sources (Uses)	$ (250,275)	$ 5,962	$ 169,450	$ 344,220	$ 117,782
Beginning Fund Balance	1,181,408	1,175,446	1,005,996	661,776	543,994
Ending Fund Balance	$ 931,133	$ 1,181,408	$ 1,175,446	$ 1,005,996	$ 661,776

DEBT SERVICE REQUIREMENTS

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

Year	Outstanding Debt Service	Debt Service on the Bonds: Principal	Interest	Total	Total Debt Service
2019	$ 187,775	$ -	$ 31,077	$ 31,077	$ 218,852
2020	-	55,000	93,231	148,231	148,231
2021	-	60,000	90,206	150,206	150,206
2022	-	60,000	86,906	146,906	146,906
2023	-	65,000	83,606	148,606	148,606
2024	-	65,000	80,031	145,031	145,031
2025	-	70,000	76,456	146,456	146,456
2026	-	75,000	72,606	147,606	147,606
2027	-	75,000	70,169	145,169	145,169
2028	-	80,000	67,731	147,731	147,731
2029	-	85,000	65,131	150,131	150,131
2030	-	90,000	62,369	152,369	152,369
2031	-	95,000	59,444	154,444	154,444
2032	-	95,000	56,356	151,356	151,356
2033	-	100,000	53,269	153,269	153,269
2034	-	105,000	50,019	155,019	155,019
2035	-	110,000	46,606	156,606	156,606
2036	-	115,000	43,031	158,031	158,031
2037	-	120,000	39,294	159,294	159,294
2038	-	125,000	35,394	160,394	160,394
2039	-	135,000	31,331	166,331	166,331
2040	-	140,000	26,775	166,775	166,775
2041	-	145,000	22,050	167,050	167,050
2042	-	155,000	16,975	171,975	171,975
2043	-	160,000	11,550	171,550	171,550
2044	-	170,000	5,950	175,950	175,950
Total	$ 187,775	$ 2,550,000	$ 1,377,565	$ 3,927,565	$ 4,115,340

Average Annual Debt Service Requirements (2019-2044)…………………………………… $158,282

Maximum Annual Debt Service Requirements (2019)………………………………………… $218,852

FINANCIAL STATEMENT (UNAUDITED)

2018 Certified Taxable Assessed Valuation……………………………………………………………	$283,418,030 (a)
District Debt:	
Outstanding Bonds (as of March 25, 2019)………………………………………………………	$185,000
The Bonds……………………………………………………………………………………………	2,550,000
Gross Debt Outstanding (after issuance of the Bonds)……………………………………………	$2,735,000
Ratio of Gross Debt to 2018 Certified Taxable Assessed Valuation……………………………….	0.97%

Area of District: 377 acres

(a) As certified by the Galveston County Appraisal District (the Appraisal District"). See "TAX PROCEDURES."

Cash and Investment Balances (audited as of September 30, 2018)

Operating Fund	Cash and Temporary Investments	$833,414
Capital Projects Fund	Cash and Temporary Investments	$279
Debt Service Fund	Cash and Temporary Investments	$127,284 (a)

(a) Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Funds.

Investments of the District

The District has 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 will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long term securities or derivative products in the District portfolio.

Outstanding Bonds (as of March 25, 2019)

Series	Original Principal Amount	Principal Amount Outstanding as of March 25, 2019
2014	$700,000	$185,000
		$185,000

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing	Outstanding		Overlapping	
Jurisdiction	Bonds	As of	Percent	Amount
City of Bayou Vista	$72,000	02/28/19	99.49%	$71,633
College of the Mainland	14,500,000	02/28/19	2.43%	352,350
Galveston County	217,633,720	02/28/19	0.90%	1,958,703
Texas City ISD	172,955,000	02/28/19	5.18%	8,959,069
Total Estimated Overlapping Debt				$11,341,755
The District	2,735,000 (a)	Current	100.00%	2,735,000
Total Direct and Estimated Overlapping Debt				$14,076,755
Ratio of Total Direct and Estimated Overlapping Debt to:				
2018 Certified Taxable Assessed Valuation				4.97%

(a) Includes the Bonds.

Overlapping Taxes for 2018

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of 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 taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "ESTIMATED OVERLAPPING DEBT" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2018 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2018 Tax Rate per $100 of Taxable Assessed Valuation
City of Bayou Vista	$ 0.385000
College of the Mainland	0.213000
Galveston County	0.532000
Texas City ISD	1.515000
Total Overlapping Tax Rate	$ 2.645000
The District	0.239500
Total Tax Rate	$ 2.884500

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds or the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. The District levied a debt service tax of $0.0678 per $100 of taxable assessed valuation for 2018. See "Historical Tax Rate Distribution" and "Tax Roll Information" below, and "TAXING PROCEDURES."

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 3, 1981, the Board was authorized to levy such a maintenance tax in an amount not to exceed $0.25 per $100 taxable assessed valuation. Such tax, if levied, would be in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any additional tax bonds which may be issued in the future. The District levied a maintenance tax for 2018 in the amount of $0.1717 per $100 taxable assessed valuation.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service	$0.0678	$0.0681	$0.0724	$0.0742	$0.1096
Maintenance and Operations	$0.1717	$0.1714	$0.1739	$0.1701	$0.1740
Total	$0.2395	$0.2395	$0.2463	$0.2443	$0.2836

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance: $0.25 per $100 of taxable assessed valuation.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of fifteen percent (15%) of the tax to defray the costs of collection. This 15% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on March 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District has exempted 20% of the market value of residential homesteads from taxation. In addition, the District has exempted $10,000 of the appraised value of resident homesteads for taxpayers who are disabled or over 65 years of age.

Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. Differences in total assessed valuations from others shown in this Official Statement are due to differences in dates of the data. See "Tax Roll Information" below.

Tax Year	Net Certified Taxable Valuation	Tax Rate	Total Tax Levy	Total Collections As of February 28, 2019 Amount	Percent
2013	$177,222,835	$0.28	$502,604	$501,194	99.72%
2014	208,742,909	0.28	591,995	589,853	99.64%
2015	238,384,613	0.24	582,374	580,357	99.65%
2016	247,791,364	0.25	610,310	605,613	99.23%
2017	276,839,664	0.24	663,031	654,552	98.72%
2018	283,418,030	0.24	678,786	613,233	90.34%

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES—Valuation of Property for Taxation." The following represents the composition of property comprising the 2014 through 2018 Certified Taxable Assessed Valuation. Differences in total assessed valuations from others shown in this Official Statement are due to differences in dates of the data. No tax will be levied on either preliminary or estimated values. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2018	2017	2016	2015	2014
Land	$94,864,504	$94,835,365	$94,403,000	$94,100,180	$62,127,160
Improvements	243,067,230	239,643,336	203,682,450	199,006,850	186,893,467
Personal Property	2,326,140	2,166,185	2,047,824	2,021,942	2,115,041
Exempt Property	(56,839,844)	(59,805,222)	(52,341,910)	(56,744,359)	(42,392,759)
Total Assessed Valuation	$283,418,030	$276,839,664	$247,791,364	$238,384,613	$208,742,909

Principal Taxpayers

The following table represents the principal taxpayers, the taxable appraised value of such property, and such property's taxable appraised value as a percentage of the 2018 Certified Taxable Assessed Valuation of $283,418,030. This represents ownership as of January 31, 2019.

Taxpayer	Type of Property	Valuation	Valuation
Centerpoint Energy Houston	Electric Utility	$816,430	0.29%
C.A. & Neda Harris Rev. Living Trust I	Trust	788,250	0.28%
Indivdual	Residence	641,300	0.23%
Indivdual	Residence	628,160	0.22%
Indivdual	Residence	623,070	0.22%
Indivdual	Residence	616,840	0.22%
C.A. & Neda Harris Rev. Living Trust II	Trust	603,110	0.21%
Indivdual	Residence	562,418	0.20%
Indivdual	Residence	544,360	0.19%
Indivdual	Residence	530,279	0.19%
Total for Principal Taxpayers		$ 6,354,217	2.24%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 appraised valuation which would be required to meet maximum debt service requirements if no growth in the District's tax base occurred beyond the 2018 Certified Taxable Assessed Valuation of $283,418,030. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DEBT SERVICE REQUIREMENTS."

Average annual debt service requirement (2019-2044)………………………………………………… $158,282

$0.06 tax rate on the 2018 Certified Taxable Assessed Valuation
of $283,418,030 at a 95% collection rate produces………………………………………………… $161,548

Maximum annual debt service requirement (2019)……………………………………………………… $218,852

$0.09 tax rate on the 2018 Certified Taxable Assessed Valuation
of $283,418,030 at a 95% collection rate produces………………………………………………… $242,322

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under "THE BONDS—Source of Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See "TAX DATA—Debt Service Tax—Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Galveston Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Galveston County, including the District. Such appraisal values are subject to review and change by the Galveston Central Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

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 on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if 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 spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain 30 conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran, and qualifying surviving spouses of persons sixty-five (65) years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by April 30.

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

Tax Abatement

The Cities of Bayou Vista, La Marque, or Hitchcock, Texas and Galveston County may designate all or part of the area within the District as a reinvestment zone subject to tax abatement agreements. Thereafter, the District may enter into tax abatement agreements with owners of real property within the District, which may exempt for up to ten (10) years all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. None of the area within the District has been designated as a reinvestment zone to date, nor does the District expect any area within the District to be so designated in the foreseeable future.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

Reappraisal of Property after Disaster

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

District and Taxpayer Remedies

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

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, 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. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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 only if the total tax bill on the average residence homestead increases by more than eight percent over the previous year. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Taxes for 2018." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS-General" and "-Tax Collection Limitations," and "-Registered Owners' Remedies and Bankruptcy Limitations."

Tax Payment Installments after Disaster

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

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the Cities of Bayou Vista, La Marque, or Hitchcock, Texas, Galveston County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations" below.

Recent Extreme Weather Events; Hurricane Harvey

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

The greater Houston area has experienced three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015. The most recent event was Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017, brought historic levels of rainfall during the successive four days. There was no interruption of water and sewer service and the District's system did not sustain any material damage as a result of Hurricane Harvey. To the knowledge of the District, no residential, or commercial properties within the District experienced structural flooding or other damage as a result of Hurricane Harvey.

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

Tax Collection Limitations and Foreclosure Remedies

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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "ESTIMATED OVERLAPPING DEBT"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Specific Flood Type Risks

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

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

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

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of $4,400,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities have been authorized by the District's voters. After the issuance of the Bonds, the District will have $1,850,000 of authorized but unissued unlimited tax bonds. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations or flood plain mapping could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulations

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

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

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

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

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

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in South Coast Air Quality Management District v. EPA, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB area under the 1997 Ozone Standard. The court has not responded to EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB area redesignation request under the 1997 Ozone Standards on September 5, 2018.

The HGB area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the HGB area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more-stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard. For purposes of the 2015 Ozone Standard, the HGB area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and Environmental Protection Agency's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

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

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

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District is in the process of preparing its Notice of Intent and Stormwater Management Plan to apply for coverage under the MS4 Permit by the July 23, 2019 deadline. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

In 2015, the EPA and the United States Army Corps of Engineers ("USACE") promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of "waters of the United States." In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of "waters of the United States" to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of "waters of the United States." Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of "waters of the United States." The proposed definition outlines six categories of waters that would be considered "waters of the United States," including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies will take comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

Changes in Tax Legislation

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

2019 Legislative Session

The 86th Regular Legislative Session convened on January 8, 2019, and will conclude on May 27, 2019. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. The Governor of Texas has declared property tax reform as an emergency item for the legislative session, with the result that any property tax reform legislation may become effective within the first 60 days of the legislative session. In addition, the Governor may call one or more additional special sessions that may include legislation affecting property taxes. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchaser a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Bacon & Wallace, L.L.P. ("Bond Counsel") to the effect that, based upon an examination of such transcript, the

Bonds are legal, valid and binding obligations of the District except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity and are payable from the proceeds of an annual ad valorem tax, without limit as to rate or amount, levied on all taxable property in the District. Bond Counsel's opinion also addresses the matters described below under "TAX MATTERS - Tax Exemption." Such opinion expresses no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in the Official Statement under "THE BONDS," "THE DISTRICT— General," "MANAGEMENT—Attorney," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Bacon & Wallace, L.L.P. acts as General Counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of 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 or the title of the present officers of the District.

TAX MATTERS

In the opinion of Bacon & Wallace, L.L.P., Bond Counsel, under existing law, (i) interest on the Bonds is excludable from gross income for federal income tax purposes, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

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

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 Resolution subsequent to the issuance of the Bonds. The Bond Resolution 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 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.

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 tax-exempt 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.

Except as described above, Bond Counsel expresses 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, 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. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") is 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 taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, 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 public 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 the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on 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

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and will certify its expectation that the above- described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard &Poor's Financial Serves LLC ("S&P"), has assigned a credit rating of "A" (Stable Outlook) to the Bonds. An explanation of the rating may be obtained from S&P, 55 Water Street, New York, New York 10041. The rating fees of S&P will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 100.00% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 3.445634% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser 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 Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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 difference between 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 and 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.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, orders, engineering and other related information 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.

Financial Advisor

Post Oak Municipal Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Post Oak Municipal Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

> "THE DISTRICT" – AEI Engineering L.L.C ("Engineer"), and Records of the District ("Records"); "WATER SUPPLY AND WASTEWATER TREATMENT" – Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED" - Records; "FINANCIAL STATEMENT" - Galveston County Appraisal District and Ms. Cheryl Johnson, Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" – Ms. Cheryl Johnson; "MANAGEMENT" – District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE

BONDS," "WATER SUPPLY AND WASTEWATER TREATMENT-Water and Wastewater Contracts," "TAX PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" - Bacon & Wallace, L.L.P.

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

Consultants

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

Appraisal District: The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Appraisal District, and is included herein in reliance upon the authority of such individual as an expert in assessing property values.

Tax Assessor/Collector: The information contained in this Official Statement relating to the breakdown of the District's historical data concerning tax rates and tax collections including particularly such information contained in the section entitled "TAX DATA—Tax Collections" has been provided by Ms. Cheryl Johnson, Galveston County Tax Assessor/ Collector, and is included herein in reliance upon the authority of such individual as an expert in assessing and collecting taxes.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the District's water, wastewater and drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by AEI Engineering, LLC, Consulting Engineers, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's audited financial statement for the fiscal year ended September 30, 2018, was prepared by Roth & Eyring, PLLC. See APPENDIX A.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law(but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board of Directors in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to MSRB. The financial information and operating data which will be provided with respect to the District is found in the APPENDIX A (the District's Audited Financial Report and certain supplemental schedules). The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2019. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available. The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

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

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of 17 CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an 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; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the

Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under the federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendices hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any 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.

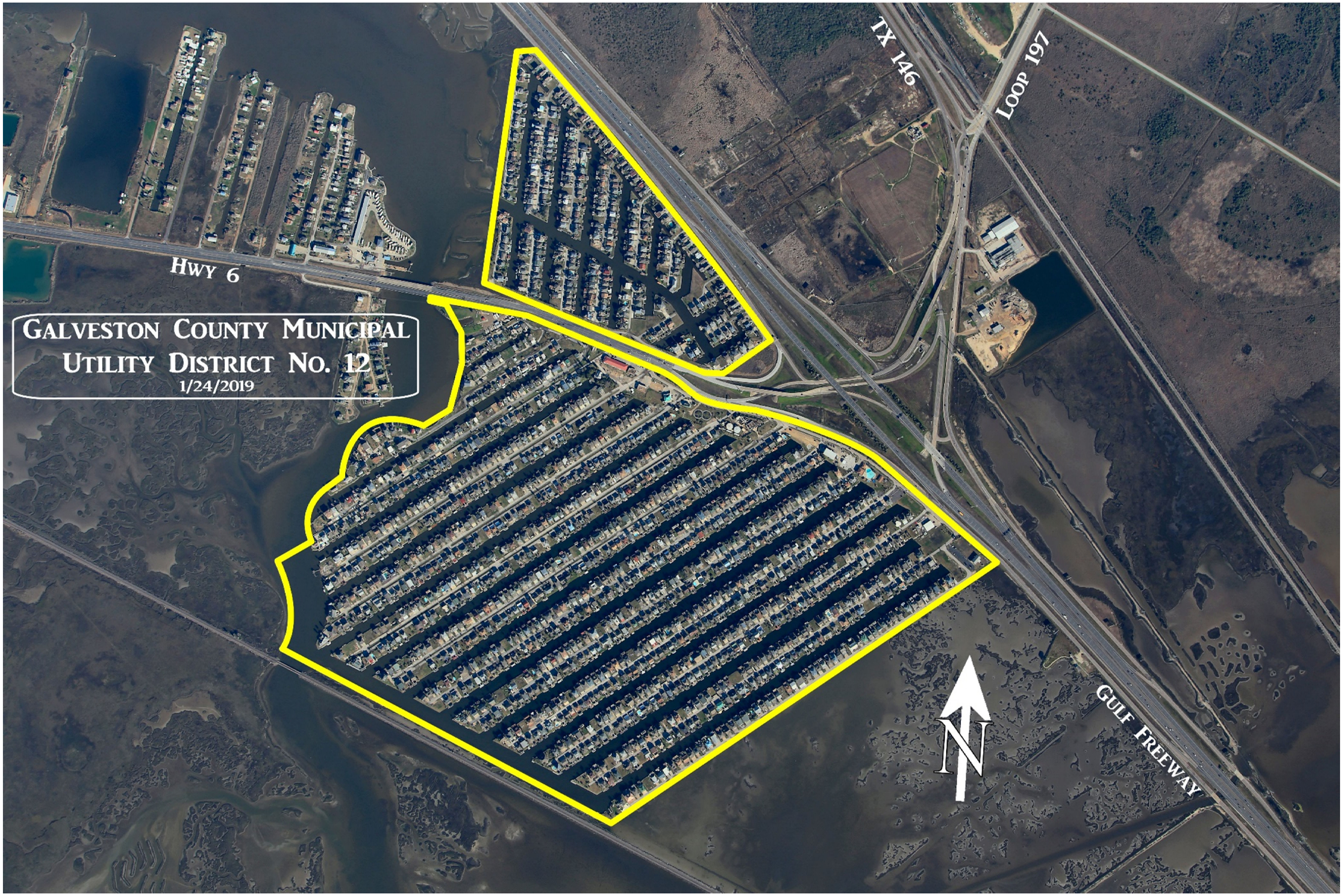
This Official Statement was approved by the Board of Directors of Galveston County Municipal Utility District No. 12, as of the date shown on the cover page.

/s/ Richard Matthews
President, Board of Directors
Galveston County Municipal Utility District No. 12

ATTEST:

/s/ Robert A. Bassett
Secretary, Board of Directors
Galveston County Municipal Utility District No. 12

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of 2019)


Galveston County Municipal
Utility District No. 12
1/24/2019
Hwy 6
TX 146
Loop 197
Gulf Freeway
N

PHOTOGRAPHS

The following photographs were taken in the District in 2019, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.


GALVESTON COUNTY
MUNICIPAL UTILITY
DISTRICT NO. 12
A POLITICAL SUBDIVISION OF THE
STATE OF TEXAS
SPEED LIMIT
20


City Of
Bayou
Vista
4/7/2019
STOP


BAYOU BISTRO
and Bar
3111


4


NO WAKE
ZONE
5
MPH
IDLE SPEED

APPENDIX A

Independent Auditor's Report and Financial Statements for the fiscal year ended September 30, 2018

GALVESTON COUNTY

MUNICIPAL UTILITY DISTRICT NO. 12

GALVESTON COUNTY, TEXAS

ANNUAL AUDIT REPORT

SEPTEMBER 30, 2018

C O N T E N T S

Roth & Eyring, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

January 21, 2019

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Galveston County Municipal
Utility District No. 12
Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities and each fund of Galveston County Municipal Utility District No. 12, as of and for the year ended September 30, 2018, 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. 12 as of September 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 7 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 20 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 21 to 35 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.

Roth & Company, PLLC

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Galveston County Municipal Utility District No. 12 (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, 2018.

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 billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

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

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

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

Summary of Net Position

	2018	2017	Change
Current and other assets	$ 1,643,484	$ 1,602,555	$ 40,929
Capital assets	2,497,406	2,290,927	206,479
Total assets	4,140,890	3,893,482	247,408
Long-term liabilities	0	184,720	(184,720)
Other liabilities	711,455	421,505	289,950
Total liabilities	711,455	606,225	105,230
Net position:			
Invested in capital assets, net of related debt	2,312,686	1,926,688	385,998
Restricted	166,769	163,947	2,822
Unrestricted	949,980	1,196,622	(246,642)
Total net position	$ 3,429,435	$ 3,287,257	$ 142,178

Summary of Changes in Net Position

	2018	2017	Change
Revenues:			
Property taxes, including related penalty and interest	$ 669,583	$ 618,131	$ 51,452
Charges for services	1,059,932	1,037,586	22,346
Other revenues	33,297	24,601	8,696
Total revenues	1,762,812	1,680,318	82,494
Expenses:			
Service operations	1,614,813	1,444,764	170,049
Debt service	5,821	7,716	(1,895)
Total expenses	1,620,634	1,452,480	168,154
Change in net position	142,178	227,838	(85,660)
Net position, beginning of year	3,287,257	3,059,419	227,838
Net position, end of year	$ 3,429,435	$ 3,287,257	$ 142,178

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2018, were $1,088,824, a decrease of $248,907 from the prior year.

The General Fund balance increased by $250,275, as the District funded expenditures for major repairs, maintenance and capital expenditures from current assets.

The Debt Service Fund balance increased by $1,368, in accordance with the District's financial plan.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 20 of this report. The budgetary fund balance as of September 30, 2018, was expected to be $1,117,173 and the actual end of year fund balance was $931,133.

Capital Asset and Debt Administration

Capital Assets

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

	Capital Assets (Net of Accumulated Depreciation)		
	2018	2017	Change
Land	$ 115,803	$ 115,803	$ 0
Construction in progress	108,769	61,758	47,011
Buildings and improvements	282,107	305,531	(23,424)
Machinery and equipment	28,718	34,813	(6,095)
Water system	1,229,187	1,328,009	(98,822)
Sewer system	732,822	445,013	287,809
Totals	$ 2,497,406	$ 2,290,927	$ 206,479

Changes to capital assets during the fiscal year ended September 30, 2018, are summarized as follows:

Additions:	
Sewer system improvements	$ 259,227
Engineering for non potable water system at wastewater treatment plant	108,769
Total additions to capital assets	367,996
Decreases:	
Depreciation	(161,517)
Net change to capital assets	$ 206,479

Debt

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2018, is summarized as follows:

Bonded debt payable, beginning of year	$ 365,000
Bonds paid	(180,000)
Bonded debt payable, end of year	$ 185,000

At September 30, 2018, the District had no bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's Series 2014 bonds have an underlying rating of A by Standard & Poor's. There was no change in the bond ratings during the fiscal year ended September 30, 2018.

RELEVANT FACTORS

Property Tax Base

The District's tax base increased approximately $29,030,000 for the 2017 tax year (approximately 12%), primarily due to the increase of the average assessed valuations on existing property.

Relationship to the Village of Bayou Vista and the City of La Marque

A portion of the District lies within the Village of Bayou Vista and a portion lies within the City of La Marque. A small portion of the District lies outside any city limits.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2018

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$ 512,272	$ 32,084	$ 5,016	$ 549,372	$	$ 549,372
Certificates of deposit, at cost, Note 7	125,000			125,000		125,000
Temporary investments, at cost, Note 7	708,414	127,284	279	835,977		835,977
Receivables:						
Property taxes	18,847	9,309		28,156		28,156
Service accounts	80,963			80,963		80,963
Accrued interest	16			16		16
Prepaid expenditures	24,000			24,000		24,000
Due from other fund	5,295			5,295	(5,295)	0
Maintenance taxes collected not yet transferred from other fund	1,677			1,677	(1,677)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	224,572	224,572
Depreciable capital assets				0	2,272,834	2,272,834
Total assets	$1,476,484	$ 168,677	$ 5,295	$ 1,650,456	2,490,434	4,140,890
LIABILITIES						
Accounts payable	$ 102,684	$	$	$ 102,684		102,684
Ratepayer refunds payable, Note 11	278,770			278,770		278,770
Accrued interest payable				0	231	231
Customer deposits	145,050			145,050		145,050
Due to other fund			5,295	5,295	(5,295)	0
Maintenance taxes collected not yet transferred to other fund		1,677		1,677	(1,677)	0
Long-term liabilities, Note 5:						
Due within one year				0	184,720	184,720
Total liabilities	526,504	1,677	5,295	533,476	177,979	711,455
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	18,847	9,309	0	28,156	(28,156)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Assigned to debt service		157,691		157,691	(157,691)	0
Unassigned	931,133			931,133	(931,133)	0
Total fund balances	931,133	157,691	0	1,088,824	(1,088,824)	0
Total liabilities, deferred inflows, and fund balances	$1,476,484	$ 168,677	$ 5,295	$ 1,650,456		
Net position:						
Invested in capital assets, net of related debt					2,312,686	2,312,686
Restricted for debt service					166,769	166,769
Unrestricted					949,980	949,980
Total net position					$ 3,429,435	$ 3,429,435

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 470,508	$ 187,007	$	$ 657,515	$ 4,922	$ 662,437
Water service	472,803			472,803		472,803
Sewer service	564,416			564,416		564,416
Penalty and interest	8,847	7,146		15,993		15,993
Tap connection fees	4,700			4,700		4,700
Lease and rental	20,000			20,000		20,000
Interest on deposits and investments	11,361	1,936		13,297		13,297
Other revenues	9,166			9,166		9,166
Total revenues	1,561,801	196,089	0	1,757,890	4,922	1,762,812
EXPENDITURES / EXPENSES						
Service operations:						
Purchased water, Note 9	180,803			180,803		180,803
Personnel costs	394,228			394,228		394,228
Professional fees	155,048	1,379		156,427		156,427
Contracted services	32,461	5,711		38,172		38,172
Utilities	48,603			48,603		48,603
Repairs and maintenance	431,365			431,365		431,365
Other operating expenditures	61,384			61,384		61,384
Administrative expenditures	131,360	2,126		133,486		133,486
Depreciation				0	161,517	161,517
Capital outlay / non-capital outlay	376,824			376,824	(367,996)	8,828
Debt service:						
Principal retirement		180,000		180,000	(180,000)	0
Interest and fees, Note 5		5,505		5,505	316	5,821
Total expenditures / expenses	1,812,076	194,721	0	2,006,797	(386,163)	1,620,634
Excess (deficiency) of revenues over expenditures	(250,275)	1,368	0	(248,907)	391,085	142,178
Net change in fund balances / net position	(250,275)	1,368	0	(248,907)	391,085	142,178
Beginning of year	1,181,408	156,323	0	1,337,731	1,949,526	3,287,257
End of year	$ 931,133	$ 157,691	$ 0	$ 1,088,824	$ 2,340,611	$ 3,429,435

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1: REPORTING ENTITY

Galveston County Municipal Utility District No. 12 (the "District") was created by an order of the Texas Water Commission (now the Texas Commission on Environmental Quality) effective September 1, 1981, and operates in accordance with Texas Water Code Chapters 49 and 54. The first bonds were sold in 1983. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Basic Financial Statements

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

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

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

Interfund Activity

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

Receivables

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

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

Capital Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

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

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

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

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 1,088,824
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		2,497,406
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	$ (185,000)	
Issuance discount (to be amortized as interest expense)	280	(184,720)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		28,156
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(231)
Net position, end of year		$ 3,429,435

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Total net change in fund balances		$ (248,907)
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	$ 367,996	
Depreciation	(161,517)	206,479
The issuance of long-term debt (bonds and notes 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		180,000
The funds report the effect of bond issuance costs, 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:		
Issuance discount		(481)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:		
Uncollected property taxes		4,922
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		165
Change in net position		$ 142,178

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 115,803	$	$	$ 115,803
Construction in progress	61,758	357,246	310,235	108,769
Total capital assets not being depreciated	177,561	357,246	310,235	224,572
Depreciable capital assets:				
Buildings and improvements	704,054			704,054
Machinery and equipment	128,773			128,773
Automobiles and trucks	45,995			45,995
Water system	2,542,985			2,542,985
Sewer system	1,968,321	320,985		2,289,306
Total depreciable capital assets	5,390,128	320,985	0	5,711,113
Less accumulated depreciation for:				
Buildings and improvements	(398,523)	(23,424)		(421,947)
Machinery and equipment	(93,960)	(6,095)		(100,055)
Automobiles and trucks	(45,995)			(45,995)
Water system	(1,214,976)	(98,822)		(1,313,798)
Sewer system	(1,523,308)	(33,176)		(1,556,484)
Total accumulated depreciation	(3,276,762)	(161,517)	0	(3,438,279)
Total depreciable capital assets, net	2,113,366	159,468	0	2,272,834
Total capital assets, net	$ 2,290,927	$ 516,714	$ 310,235	$ 2,497,406
Changes to capital assets:				
Capital outlay		$ 367,996	$	
Assets transferred to depreciable assets		310,235	310,235	
Less depreciation expense for the fiscal year		(161,517)		
Net increases / decreases to capital assets		$ 516,714	$ 310,235	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended September 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 365,000	$	$ 180,000	$ 185,000	$ 185,000
Less deferred amounts:					
For issuance discounts	(761)		(481)	(280)	(280)
Total bonds payable	364,239	0	179,519	184,720	184,720
Total long-term liabilities	$ 364,239	$ 0	$ 179,519	$ 184,720	$ 184,720

Developer Construction Commitments and Liabilities

At September 30, 2018, there were no developer construction commitments or liabilities.

Bonds Payable

As of September 30, 2018, the debt service requirements on the bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2019	$ 185,000	$ 2,775	$ 187,775

Bonds voted	$ 8,670,000
Bonds approved for sale and sold	4,270,000
Bonds voted and not issued	4,400,000

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

The bond issues payable at September 30, 2018, were as follows:

	Series 2014
Amounts outstanding, September 30, 2018	$185,000
Interest rates	1.50%
Maturity dates, serially beginning/ending	September 1, 2019
Interest payment dates	March 1/September 1
Callable dates	Not callable

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

At an election held November 3, 1981, the voters within the District authorized a maintenance tax not to exceed $0.25 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On September 18, 2017, the District levied the following ad valorem taxes for the 2017 tax year on the adjusted taxable valuation of $276,643,545:

	Rate	Amount
Debt service	$ 0.068084	$ 188,491
Maintenance	0.171427	474,598
	$ 0.239511	$ 663,089

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

2017 tax year total property tax levy	$ 663,089
Appraisal district adjustments to prior year taxes	(652)
Statement of Activities property tax revenues	$ 662,437

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 $674,372 and the bank balance was $715,831. Of the bank balance, $375,000 was covered by federal insurance and $340,831 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 $835,977.

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

Debt Service Fund

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

Cash	$ 32,084
Temporary investments	127,284
	$ 159,368

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, 2018, the District had property damage coverage (excluding flood coverage on building and contents) of $4,903,054, windstorm property damage coverage of $3,489,085, boiler and machinery coverage of $3,025,000, mobile equipment coverage of $107,650, building and contents flood insurance of $2,533,400, pollution coverage of $2,000,000, automobile liability coverage of $2,000,000, general liability coverage of $3,000,000 and $6,000,000 general aggregate and statutory workers' compensation coverage with the Texas Municipal League Intergovernmental Risk Pool (the "Pool"). The Pool is a public entity risk pool currently operating as a common risk management and insurance program for various Texas public entities. The District pays annual premiums for its general insurance coverage. The Pool purchases reinsurance for protection against catastrophic losses that exceed the Pool's self-insurance retention. This reinsurance is purchased from companies rated A- or higher by A. M. Best Company. At this date, the District also had employee crime coverage of $10,000.

NOTE 9: WATER SUPPLY CONTRACT

Effective July 1, 1998, the District and the Gulf Coast Water Authority (the "Authority") entered into a contract for a supply of potable water to service the District. The contract continues until December 31, 2022 and thereafter until payment in full of the principal, premium, if any, and interest and related fees on all bonds sold to finance the facilities to transport water to the District. Under the terms of the contract, the District is to pay a monthly charge comprised of its share of the debt service costs, raw water costs and operating costs incurred to furnish water to the District by the Authority. The District accrued costs of $180,803 for water purchased under this contract during the fiscal year ended September 30, 2018.

NOTE 10: PENSION PLAN AND DEFERRED COMPENSATION PLAN

Pension Plan

The District has established a SEP-IRA defined contribution pension plan for all of its full-time employees. Plan provisions may be amended by the Board of Directors of the District. Employees with two years of service are eligible to participate. The plan provides that the District will contribute at a rate (measured as a percentage of the employee's salary) to be determined each year at the sole discretion of the Board of Directors. The plan is administered by a broker-dealer and contributions are invested in mutual funds at the discretion of the plan participants. Activity of the plan is not reported in the financial statements of the District. Contributions are recognized in the period that the contributions are due. The contribution for the fiscal year ended September 30, 2018, was $15,863 (6.00% of base salary for 5 employees).

Deferred Compensation Plan

Employees of the District participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or unforeseen emergency. The plan is administered by a broker-dealer and contributions are invested in mutual funds at the discretion of the plan participants. Activity of the plan is not reported in the financial statements of the District.

NOTE 11: RATEPAYER REFUNDS PAYABLE

The District entered into a Settlement Agreement (the “Agreement”) with the Public Utility Commission of Texas during the fiscal year ended September 30, 2018. The District was not found liable for any wrongdoing or violation of any State provision and entered into the Agreement for the express purpose of good stewardship. Under the terms of the Agreement, the District will refund to ratepayers $10 per customer for a period of 21 months. The amount due to ratepayers was $278,770 at September 30, 2018.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 440,000	$ 440,000	$ 470,508	$ 30,508
Water service	400,000	400,000	472,803	72,803
Sewer service	550,000	550,000	564,416	14,416
Penalty	11,500	11,500	8,847	(2,653)
Tap connection fees	5,600	5,600	4,700	(900)
Lease and rental	18,900	18,900	20,000	1,100
Interest on deposits and investments	2,000	2,000	11,361	9,361
Other revenues	8,100	8,100	9,166	1,066
TOTAL REVENUES	1,436,100	1,436,100	1,561,801	125,701
EXPENDITURES				
Service operations:				
Purchased water	200,000	200,000	180,803	(19,197)
Personnel costs	336,361	336,361	394,228	57,867
Professional fees	51,975	51,975	155,048	103,073
Contracted services	22,025	22,025	32,461	10,436
Utilities	23,750	23,750	48,603	24,853
Repairs and maintenance	302,800	302,800	431,365	128,565
Other operating expenditures	94,350	94,350	61,384	(32,966)
Administrative expenditures	182,574	182,574	131,360	(51,214)
Capital outlay	286,500	286,500	376,824	90,324
TOTAL EXPENDITURES	1,500,335	1,500,335	1,812,076	311,741
EXCESS REVENUES (EXPENDITURES)	(64,235)	(64,235)	(250,275)	(186,040)
FUND BALANCE, BEGINNING OF YEAR	1,181,408	1,181,408	1,181,408	0
FUND BALANCE, END OF YEAR	$ 1,117,173	$ 1,117,173	$ 931,133	$ (186,040)

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.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

SEPTEMBER 30, 2018

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

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2018

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

X Retail Water	__ Wholesale Water	__ Drainage
X Retail Wastewater	__ Wholesale Wastewater	__ Irrigation
X 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)

X Other - Navigational maintenance

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	$20.00	3,000	N	$3.50	3,001 to 6,000
				4.00	6,001 to 9,000
				4.50	9,001 to 12,000
				5.00	12,001 to 15,000
				6.00	15,001 to 18,000
				7.00	Over 18,000
WASTEWATER:	$20.00 *	3,000	N	$1.00	3,001 to 6,000
				1.50	6,001 to 9,000
				1.75	9,001 to 12,000
				2.00	12,001 to 15,000
				2.25	15,001 to 18,000
				3.00	Over 18,000

SURCHARGE: 0.5% of monthly bill for TCEQ assessment.
$0.50 Notification fee
*$13.50 Garbage rate to be added to Bayou Vista areas

District employs winter averaging for wastewater usage: Yes __ No X

Total charges per 10,000 gallons usage: Water: $47.00 Wastewater: $29.25 Surcharge: $0.88

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

SCHEDULE OF SERVICES AND RATES (Continued)

SEPTEMBER 30, 2018

b. Water and Wastewater Retail Connections (unaudited):

Meter Size	Total Connections	Active Connections	ESFC* Factor	Active ESFCs
Unmetered	0	0	1.0	0
< or = 3/4"	1,485	1,458	1.0	1,458
1"	3	3	2.5	8
1-1/2"	2	2	5.0	10
2"	3	3	8.0	24
3"	0	0	15.0	0
4"	1	1	25.0	25
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	1,494	1,467		1,525
Total Wastewater	1,482	1,452	1.0	1,452

*Single family equivalents

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

Gallons pumped into system (unaudited): 77,069
Gallons billed to customers (unaudited): 73,045

Water Accountability Ratio
(Gallons billed/ gallons pumped): 95%

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

Does the District have Debt Service standby fees? Yes __ No X

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

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

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

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Purchased water	$ 180,803	$ 0	$ 0	$ 180,803
Personnel costs:				
Salaries and wages	281,946			281,946
Payroll taxes	22,411			22,411
Pension plan	15,863			15,863
Other benefits	74,008			74,008
	394,228	0	0	394,228
Professional fees:				
Auditing	9,975			9,975
Legal	107,988	1,379		109,367
Engineering	37,085			37,085
	155,048	1,379	0	156,427
Contracted services:				
Bookkeeping	32,461			32,461
Tax assessor-collector		447		447
Central appraisal district		5,264		5,264
	32,461	5,711	0	38,172
Utilities	48,603	0	0	48,603
Repairs and maintenance	431,365	0	0	431,365
Other operating expenditures:				
Sludge hauling	22,450			22,450
Chemicals	12,230			12,230
Laboratory costs	17,972			17,972
TCEQ assessment	3,965			3,965
Other	4,767			4,767
	61,384	0	0	61,384
Administrative expenditures:				
Director's fees	19,650			19,650
Office supplies and postage	11,928			11,928
Insurance	58,527			58,527
Permit fees	15,129			15,129
Other	26,126	2,126		28,252
	131,360	2,126	0	133,486

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

EXPENDITURES (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CAPITAL OUTLAY				
Authorized expenditures	$ 367,996	$	$	$ 367,996
Tap connection costs	8,828			8,828
	376,824	0	0	376,824
DEBT SERVICE				
Principal retirement	0	180,000	0	180,000
Interest and fees:				
Interest		4,755		4,755
Paying agent fees		750		750
	0	5,505	0	5,505
TOTAL EXPENDITURES	$ 1,812,076	$ 194,721	$ 0	$ 2,006,797

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	$ 1,097,915	$ 196,089	$ 3	$ 1,294,007
Maintenance tax receipts		470,508		470,508
Transfer of maintenance taxes	473,500			473,500
Increase in customer deposits	4,800			4,800
Collections for volunteer fire department	207,064			207,064
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	1,783,279	666,597	3	2,449,879
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	1,173,343	9,810		1,183,153
Capital outlay	376,824			376,824
Debt service		185,505		185,505
Transfer of maintenance taxes		473,500		473,500
Payments to volunteer fire department	207,064			207,064
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	1,757,231	668,815	0	2,426,046
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	26,048	(2,218)	3	23,833
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	1,319,638	161,586	5,292	1,486,516
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 1,345,686	$ 159,368	$ 5,295	$ 1,510,349

See accompanying independent auditor’s report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

SCHEDULE OF CERTIFICATES OF DEPOSIT AND TEMPORARY INVESTMENTS

SEPTEMBER 30, 2018

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
GENERAL FUND				
Certificate of Deposit				
No. 78391	0.60%	10/22/18	$ 125,000	$ 16
TexPool				
No. 841600002	Market	On demand	$ 708,414	$ 0
DEBT SERVICE FUND				
TexPool				
No. 841600001	Market	On demand	$ 127,284	$ 0
CAPITAL PROJECTS FUND				
TexPool				
No. 841600003	Market	On demand	$ 279	$ 0
Total – All Funds			$ 960,977	$ 16

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Maintenance Taxes	Debt Service Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 15,214	$ 8,020
Additions and corrections to prior year taxes	(457)	(195)
Adjusted receivable, beginning of year	14,757	7,825
2017 ADJUSTED TAX ROLL	474,598	188,491
Total to be accounted for	489,355	196,316
Tax collections: Current tax year	(467,474)	(185,662)
Prior tax years	(3,034)	(1,345)
RECEIVABLE, END OF YEAR	$ 18,847	$ 9,309
RECEIVABLE, BY TAX YEAR		
2007 and prior	$ 685	$ 601
2008	653	458
2009	545	382
2010	820	500
2011	762	479
2012	875	524
2013	1,085	620
2014	1,241	782
2015	1,481	646
2016	3,576	1,488
2017	7,124	2,829
RECEIVABLE, END OF YEAR	$ 18,847	$ 9,309

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2017	2016	2015	2014
Land	$ 94,835,365	$ 94,403,000	$ 94,100,180	$ 62,127,160
Improvements	239,643,336	203,682,450	199,006,850	186,893,467
Personal property	2,176,185	2,047,824	2,021,942	2,115,041
Less exemptions	(60,011,341)	(52,518,940)	(56,992,205)	(42,603,865)
TOTAL PROPERTY VALUATIONS	$ 276,643,545	$ 247,614,334	$ 238,136,767	$ 208,531,803
TAX RATES PER $100 VALUATION				
Debt service tax rates	$ 0.068084	$ 0.072389	$ 0.074200	$ 0.109650
Maintenance tax rates*	0.171427	0.173930	0.170065	0.173976
TOTAL TAX RATES PER $100 VALUATION	$ 0.239511	$ 0.246319	$ 0.244265	$ 0.283626
TAX ROLLS	$ 663,089	$ 610,729	$ 581,851	$ 591,890
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	98.5 %	99.2 %	99.6 %	99.7 %

*Maximum tax rate approved by voters on November 3, 1981: $0.25

See accompanying independent auditor’s report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

SEPTEMBER 30, 2018

	Series 2014		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2019	$ 185,000	$ 2,775	$ 187,775

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Bond Series:	2014
Interest Rate:	1.50%
Dates Interest Payable:	March 1/ September 1
Maturity Dates:	September 1, 2019
Bonds Outstanding at Beginning of Current Year	$ 365,000
Less Retirements:	(180,000)
Bonds Outstanding at End of Current Year	$ 185,000
Current Year Interest Paid:	$ 4,755

Bond Descriptions and Original Amount of Issue

Galveston County Municipal Utility District No. 12 Unlimited Tax Bonds, Series 2014 ($700,000)

Paying Agent/Registrar

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas

Bond Authority	Tax Bonds	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 8,670,000	$ 0	$ 0
Amount Issued:	4,270,000		
Remaining to be Issued:	4,400,000		

Net Debt Service Fund deposits and investments balances as of September 30, 2018: $157,691
Average annual debt service payment for remaining term of all debt: 187,775

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
REVENUES										
Property taxes	$ 470,508	$ 431,667	$ 402,626	$ 362,559	$ 343,590	30.1 %	28.9 %	27.0 %	29.3 %	30.0 %
Water service	472,803	449,535	426,238	439,688	388,769	30.3	30.1	28.5	35.5	34.0
Sewer service	564,416	554,303	599,975	368,873	356,578	36.1	37.1	40.2	29.8	31.1
Penalty	8,847	11,254	12,102	11,675	13,105	0.6	0.8	0.8	0.9	1.1
Tap connection fees	4,700	13,500	24,000	16,010	12,370	0.3	0.9	1.6	1.3	1.1
Lease and rental	20,000	18,450	18,100	20,900	22,450	1.3	1.2	1.2	1.7	2.0
Interest on deposits and temporary investments	11,361	5,251	2,045	682	599	0.7	0.4	0.1	0.1	0.1
Other revenues	9,166	8,994	8,703	16,929	7,290	0.6	0.6	0.6	1.4	0.6
TOTAL REVENUES	1,561,801	1,492,954	1,493,789	1,237,316	1,144,751	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Service operations:										
Purchased water	180,803	171,473	171,939	141,360	124,304	11.6	11.5	11.5	11.4	10.9
Personnel costs	394,228	375,099	361,270	305,366	286,317	25.2	25.1	24.2	24.8	25.1
Professional fees	155,048	85,165	71,069	21,690	16,880	9.9	5.7	4.8	1.8	1.5
Contracted services	32,461	26,068	22,160	22,230	20,755	2.1	1.7	1.5	1.8	1.8
Utilities	48,603	40,250	47,667	54,596	53,066	3.1	2.7	3.2	4.4	4.6
Repairs and maintenance	431,365	350,706	378,022	174,864	156,897	27.7	23.5	25.3	14.1	13.7
Other operating expenditures	61,384	68,408	77,272	55,666	55,402	3.9	4.6	5.2	4.5	4.8
Administrative expenditures	131,360	120,716	103,416	114,380	98,942	8.4	8.1	6.9	9.2	8.6
Debt service:										
Principal	0	0	0	0	198,186	0.0	0.0	0.0	0.0	17.3
Interest	0	0	0	0	5,560	0.0	0.0	0.0	0.0	0.5
Capital outlay	376,824	249,107	49,623	2,944	10,660	24.1	16.7	3.3	0.2	0.9
TOTAL EXPENDITURES	1,812,076	1,486,992	1,282,438	893,096	1,026,969	116.0	99.6	85.9	72.2	89.7
EXCESS REVENUES (EXPENDITURES)	$ (250,275)	$ 5,962	$ 211,351	$ 344,220	$ 117,782	(16.0) %	0.4 %	14.1 %	27.8 %	10.3 %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,467	1,469	1,475	1,446	1,442					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,452	1,457	1,475	1,446	1,442					

See accompanying independent auditor’s report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
DEBT SERVICE FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
REVENUES										
Property taxes	$ 187,007	$ 180,227	$ 176,374	$ 228,301	$ 196,483	95.4 %	95.4 %	97.2 %	97.6 %	97.1 %
Penalty and interest	7,146	7,672	4,674	5,557	5,492	3.6	4.1	2.6	2.4	2.7
Accrued interest on bonds received at date of sale	0	0	0	0	383	0.0	0.0	0.0	0.0	0.2
Interest on deposits and investments	1,936	900	389	69	46	1.0	0.5	0.2	0.0	0.0
TOTAL REVENUES	196,089	188,799	181,437	233,927	202,404	100.0	100.0	100.0	100.0	100.0
EXPENDITURES										
Current:										
Contracted services and other	9,216	5,903	6,083	5,785	4,929	4.7	3.1	3.4	2.5	2.4
Debt service:										
Principal retirement	180,000	170,000	165,000	205,000	175,000	91.8	90.1	90.9	87.6	86.5
Interest and fees	5,505	7,205	8,855	21,029	19,651	2.8	3.8	4.9	9.0	9.7
TOTAL EXPENDITURES	194,721	183,108	179,938	231,814	199,580	99.3	97.0	99.2	99.1	98.6
EXCESS REVENUES (EXPENDITURES)	$ 1,368	$ 5,691	$ 1,499	$ 2,113	$ 2,824	0.7 %	3.0 %	0.8 %	0.9 %	1.4 %

See accompanying independent auditor’s report.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

SEPTEMBER 30, 2018

Complete District Mailing Address: Galveston County Municipal Utility District No. 12
2929 Highway 6, Suite 300
Bayou Vista, Texas 77563

District Business Telephone No.: 409-935-6111

Submission date of the most recent District Registration Form: July 13, 2018

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

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Richard L. Matthews 1A N. Curlew La Marque, Texas 77568 Position 1	Elected 5/05/18- 5/07/22	$ 1,950	$ 0	President
John W. Prince 292 Ling Bayou Vista, Texas 77563 Position 3	Elected 5/05/18- 5/07/22	450	0	Vice President
Robert A. Bassett 964 Bonita Bayou Vista, Texas 77563 Position 4	Elected 5/07/16- 5/02/20	4,200	0	Secretary/ Treasurer/ Inv. Officer
Carter Joseph Tull 1283 Blue Heron Bayou Vista, Texas 77563 Position 5	Appointed 3/06/17- 5/02/20	4,050	734	Assistant Secretary/ Treasurer
Eric H. Moeller 1054 Redfish Bayou Vista, Texas 77563 Position 2	Elected 5/05/18- 5/07/22	1,800	331	Director

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

SEPTEMBER 30, 2018

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Bacon & Wallace, L.L.P. 6363 Woodway, Suite 800 Houston, Texas 77057	9/12/05	$ 93,891	Attorney
Whitley Penn, LLP 600 Gulf Freeway, Suite 226 Texas City, Texas 77591	5/01/98	32,861	Bookkeeper
Cheryl E. Johnson Galveston County TAC 721 Moody Avenue Galveston, Texas 77550	7/01/86	447	Tax Assessor-Collector
Galveston Central Appraisal District P.O. Box 3647 Texas City, Texas 77592	Legislative Action	5,264	Central Appraisal District
AEI Engineering, Inc. 11450 Compaq Center Dr., Suite 660 Houston, Texas 77070	12/21/15	180,482	Engineer
Post Oak Municipal Advisors, LLC 820 Gessner, Suite 1350 Houston, Texas 77024	4/16/18	0	Financial Advisor
Hilltop Securities, Inc. 700 Milam, Suite 500 Houston, Texas 77002	Terminated 5/16/18	0	Financial Advisor
Roth & Eyring, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	8/25/99	9,975	Independent Auditor