OFFICIAL STATEMENT DATED JUNE 4, 2019

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

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

NEW ISSUE - Book-Entry-Only

RATING: S&P (AGM Insured).. "AA"
Moody's (AGM Insured) ...."A2"
Moody's (Underlying)... "Baa2"
(See "MUNICIPAL BOND INSURANCE" and MUNICIPAL BOND RATING")

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 45

(A Political Subdivision of the State of Texas, located within Galveston County)

$6,450,000	$2,940,000	$1,775,000
UNLIMITED TAX BONDS SERIES 2019	UNLIMITED TAX PARK BONDS SERIES 2019	UNLIMITED TAX ROAD BONDS SERIES 2019

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

The Galveston County Municipal Utility District No. 45 $6,450,000 Unlimited Tax Bonds, Series 2019 (the "System Bonds"), the $2,940,000 Unlimited Tax Park Bonds, Series 2019 (the "Park Bonds") and the $1,775,000 Unlimited Tax Road Bonds, Series 2019 (the "Road Bonds", together with the System Bonds and the Park Bonds, the "Bonds") are obligations of Galveston County Municipal Utility District No. 45 (the "District") and are not obligations of the State of Texas; the City of League City, Texas; Galveston County, Texas; or any political subdivision or entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas; the City of League City, Texas; Galveston County, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas, (the "Paying Agent/Registrar"). Interest accrues from July 1, 2019, and is payable September 1, 2019, and on each March 1 and September 1 (each an "Interest Payment Date") thereafter until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each interest payment date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

See "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover.

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of two separate annual ad valorem taxes, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Galveston County, Texas, the City of League City, Texas, or any entity other than the District. Investment in the Bonds is subject to special investment considerations as described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the initial purchaser of the System Bonds (the "System Bonds Initial Purchaser"), the initial purchaser of the Park Bonds (the "Park Bonds Initial Purchaser"), and the initial purchaser of the Road Bonds (the "Road Bonds Initial Purchaser", and together with the System Bonds Initial Purchaser and the Park Bonds Initial Purchaser, the "Initial Purchasers"), subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about July 3, 2019.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

$6,450,000 UNLIMITED TAX BONDS, SERIES 2019

$5,720,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 36423E(b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 36423E(b)
2020	$155,000	4.500%	1.750%	ET5	2032(c)	$235,000	3.000%	2.900%	FF4
2021	160,000	4.000%	1.800%	EU2	2033(c)	245,000	3.000%	2.950%	FG2
2022	170,000	4.000%	1.850%	EV0	2034(c)	255,000	3.000%	3.000%	FH0
2023	170,000	4.000%	1.900%	EW8	2035(c)	260,000	3.000%	3.020%	FJ6
2024	180,000	4.000%	1.950%	EX6	2036(c)	270,000	3.000%	3.040%	FK3
2025(c)	185,000	2.000%	2.000%	EY4	2037(c)	275,000	3.000%	3.060%	FL1
2026(c)	190,000	2.000%	2.100%	EZ1	2038(c)	290,000	3.000%	3.080%	FM9
2027(c)	200,000	2.000%	2.200%	FA5	2039(c)	300,000	3.000%	3.100%	FN7
2028(c)	210,000	2.000%	2.400%	FB3	2040(c)	310,000	3.000%	3.110%	FP2
2029(c)	215,000	2.250%	2.600%	FC1	2041(c)	320,000	3.000%	3.120%	FQ0
2030(c)	220,000	2.500%	2.800%	FD9	2042(c)	335,000	3.000%	3.130%	FR8
2031(c)	225,000	2.625%	2.850%	FE7	2043(c)	345,000	3.000%	3.140%	FS6

$730,000 Term Bond

$730,000 Term Bond due September 1, 2045 (c)(d) Interest Rate: 3.000% (Price: $97.337) (a) CUSIP No. 36423EFU1 (b)

$2,940,000 UNLIMITED TAX PARK BONDS, SERIES 2019

$800,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 36423E(b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 36423E(b)
2020	$ 65,000	3.000%	1.850%	GX4	2025(c)	$85,000	2.100%	2.100%	HC9
2021	70,000	3.000%	1.900%	GY2	2026(c)	85,000	2.300%	2.300%	HD7
2022	70,000	2.000%	1.950%	GZ9	2027(c)	85,000	2.400%	2.400%	HE5
2023	75,000	2.000%	2.000%	HA3	2028(c)	90,000	2.500%	2.500%	HF2
2024	80,000	2.000%	2.050%	HB1	2029(c)	95,000	2.500%	2.600%	HG0

$2,140,000 Term Bonds

$200,000 Term Bond due September 1, 2031 (c)(d) Interest Rate: 3.000% (Price: $100.952) (a) CUSIP No. 36423EHJ4 (b)
$215,000 Term Bond due September 1, 2033 (c)(d) Interest Rate: 3.000% (Price: $100.473) (a) CUSIP No. 36423EHL9 (b)
$230,000 Term Bond due September 1, 2035 (c)(d) Interest Rate: 3.000% (Price: $100.000) (a) CUSIP No. 36423EHN5 (b)
$250,000 Term Bond due September 1, 2037 (c)(d) Interest Rate: 3.000% (Price: $99.304) (a) CUSIP No. 36423EHQ8 (b)
$275,000 Term Bond due September 1, 2039 (c)(d) Interest Rate: 3.000% (Price: $98.951) (a) CUSIP No. 36423EHS4 (b)
$305,000 Term Bond due September 1, 2041 (c)(d) Interest Rate: 3.000% (Price: $98.403) (a) CUSIP No. 36423EHU9 (b)
$315,000 Term Bond due September 1, 2043 (c)(d) Interest Rate: 3.000% (Price: $97.473) (a) CUSIP No. 36423EHW5 (b)
$350,000 Term Bond due September 1, 2045 (c)(d) Interest Rate: 3.125% (Price: $99.025) (a) CUSIP No. 36423EHY1 (b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on September 1, 2025, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

(d) Subject to mandatory redemption as provided under "THE BONDS – Redemption Provisions – Mandatory Redemption."

$1,775,000 UNLIMITED TAX ROAD BONDS, SERIES 2019

$765,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 36423E(b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 36423E(b)
2020	$40,000	4.500%	1.750%	FV9	2028(c)	$ 55,000	2.000%	2.400%	GD8
2021	40,000	4.500%	1.800%	FW7	2029(c)	55,000	2.250%	2.600%	GE6
2022	45,000	4.500%	1.850%	FX5	2030(c)	60,000	2.500%	2.800%	GF3
2023	45,000	4.500%	1.900%	FY3	2031(c)	60,000	2.625%	2.850%	GG1
2024	45,000	4.500%	1.950%	FZ0	2032(c)	65,000	3.000%	2.900%	GH9
2025(c)	50,000	3.000%	2.000%	GA4	****	*******	****	****	***
2026(c)	50,000	2.000%	2.100%	GB2	2043(c)	100,000	3.000%	3.140%	GU0
2027(c)	55,000	2.000%	2.200%	GC0					

$1,010,000 Term Bonds

$135,000 Term Bond due September 1, 2034 (c)(d) Interest Rate: 3.000% (Price: $100.000) (a) CUSIP No. 36423EGK2 (b)
$145,000 Term Bond due September 1, 2036 (c)(d) Interest Rate: 3.000% (Price: $99.465) (a) CUSIP No. 36423EGM8 (b)
$160,000 Term Bond due September 1, 2038 (c)(d) Interest Rate: 3.000% (Price: $98.846) (a) CUSIP No. 36423EGP1 (b)
$175,000 Term Bond due September 1, 2040 (c)(d) Interest Rate: 3.000% (Price: $98.301) (a) CUSIP No. 36423EGR7 (b)
$185,000 Term Bond due September 1, 2042 (c)(d) Interest Rate: 3.000% (Price: $97.867) (a) CUSIP No. 36423EGT3 (b)
$210,000 Term Bond due September 1, 2045 (c)(d) Interest Rate: 3.000% (Price: $97.337) (a) CUSIP No. 36423EGW6 (b)

(a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchasers (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on September 1, 2025, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

(d) Subject to mandatory redemption as provided under "THE BONDS – Redemption Provisions – Mandatory Redemption."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audits, 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 Bond Counsel, for further information.

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

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility 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.

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. 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 such 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 "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for any purposes.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Galveston County Municipal Utility District No. 45 (the "District") of its $6,450,000 Unlimited Tax Bonds, Series 2019 (the "System Bonds"), its $2,940,000 Unlimited Tax Park Bonds, Series 2019 (the "Park Bonds") and its $1,775,000 Unlimited Tax Road Bonds, Series 2019 (the "Road Bonds," and together with the System Bonds and the Park Bonds, the "Bonds").

The Bonds are issued pursuant to a resolution approving the sale of the System Bonds (the "System Bond Resolution"), a resolution approving the sale of the Park Bonds (the "Park Bond Resolution"), and a resolution approving the sale of the Road Bonds (the "Road Bond Resolution," together with the System Bond Resolution and the Park Bond Resolution, the "Bond Resolutions"), each adopted by the Board of Directors of the District on the date of the sale of the Bonds; pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; an election held in the District, and passed by a majority of the participating voters; and an order of the Texas Commission on Environmental Quality (the "TCEQ").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolutions, except as otherwise indicated herein.

This Official Statement also includes information about the District and certain reports and other statistical data. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the System Bonds, the District has accepted the lowest bid, resulting in the lowest net effective interest rate which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the "System Bonds Initial Purchaser") to purchase the System Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.0% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.121270%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

After requesting competitive bids for the Park Bonds, the District has accepted the lowest bid, resulting in the lowest net effective interest rate which was tendered by Hilltop Securities Inc. (referred to herein as the "Park Bonds Initial Purchaser,") to purchase the Park Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.44% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.117950%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District has accepted the lowest bid, resulting in the lowest net effective interest rate which was tendered by SAMCO Capital Markets, Inc. (referred to herein as the "Road Bonds Initial Purchaser," and together with the System Bonds Initial Purchaser and the Park Bond Initial Purchaser, the "Initial Purchasers") to purchase the Road Bonds bearing the interest rates shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.0% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 3.143171%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

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

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bondhouse, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-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 THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT

OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 21, 2018, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM

At March 31, 2019:

- The policyholders’ surplus of AGM was approximately $2,523 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately $1,054 million. Such amount includes 100% of AGM’s contingency reserve and 60.7% of MAC’s contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,848 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and

net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

MUNICIPAL BOND RATING

S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The Bonds are expected to receive an insured rating of "AA" on the Bonds from S&P solely in reliance upon the issuance of the Policy issued by AGM at the time of delivery of the Bonds.

The Bonds are expected to receive an insured rating of "A2" (stable outlook) from Moody's solely in reliance upon the issuance of the Policy issued by AGM at the time of delivery of the Bonds. Moody's has assigned an underlying credit rating of "Baa2" to the Bonds. An explanation of the ratings may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P or Moody's, 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.

The District is not aware of any rating assigned the Bonds other than the ratings of S&P and Moody's.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein.

THE BONDS

The Issuer	Galveston County Municipal Utility District No. 45 (the "District"), a political subdivision of the State of Texas, is located in Galveston County, Texas. See "THE DISTRICT."
The Issue	The $6,450,000 Unlimited Tax Bonds, Series 2019 (the "System Bonds"), the $2,940,000 Unlimited Tax Park Bonds, Series 2019 (the "Park Bonds") and the $1,775,000 Unlimited Tax Road Bonds, Series 2019 (the "Road Bonds," and together with the System Bonds and the Park Bonds, the "Bonds"), are dated July 1, 2019. Interest accrues from July 1, 2019, at the rates set forth on the cover page hereof, and is payable September 1, 2019, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. The System Bonds mature serially on September 1, in each of the years 2020 through 2043, both inclusive, and as term bonds on September 1, 2045, in the principal amounts set forth on the inside cover page The Park Bonds mature serially on September 1, in each year 2020 through 2029, both inclusive, and as term bonds on September 1 in each of the years 2031, 2033, 2035, 2037, 2039, 2041, 2043 and 2045, in the principal amounts set forth on the inside cover page The Road Bonds mature serially on September 1, in each of the years 2020 through 2032, both inclusive, and in the year 2043, and as term bonds on September 1 in each of the years 2034, 2036, 2038, 2040, 2042 and 2045, in the principal amounts set forth on the inside cover page. Bonds maturing on or after September 1, 2025, are subject to redemption, in whole or from time to time in part, on September 1, 2024, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (hereinafter defined) thereof. Principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Source of Payment	The Bonds are payable from two separate continuing, direct annual ad valorem taxes, each unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of League City, Texas, Galveston County, Texas, the State of Texas, or any entity other than the District. See "THE BONDS - Source of Payment."
Principal Use of Proceeds	Proceeds of the sale of the System Bonds will be used by the District to finance (i) Rough Cut detention basin; (ii) drainage facilities at Hidden Lakes; (iii) Rough Cut detention basin expansion; and (vii) pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the Texas Commission on Environmental Quality (the "TCEQ"), a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the System Bonds. Proceeds of the sale of the Park Bonds will be used by the District to finance (i) Hidden Lakes park landscape improvements; (ii) landscaping and recreational facilities for Hidden Lakes, Sections 3, 4, 5, 6, 7A and 8A; and (iii) pay for administrative and issuance costs, legal fees, financial

advisor fees, a fee to the TCEQ, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Park Bonds.

Proceeds of the sale of the Road Bonds will be used by the District for construction costs associated with certain road improvements in the District and pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Road Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Not Qualified Tax-Exempt Obligations .... The Bonds are not designated "qualified tax-exempt obligations" for financial institutions.

Municipal Bond Insurance .... Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE" above.

Municipal Bond Rating .... S&P Global Ratings ("S&P") – AGM insured – "AA". Moody's Investors Service ("Moody's") – AGM insured – "A2". Moody's – underlying – "Baa2". See "MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATING" above.

Payment Record .... The District has never defaulted on the payment of principal or interest on its previously issued bonds.

Authority for Issuance .... The System Bonds constitute the fourth series of unlimited tax bonds issued by the District from the $94,000,000 principal amount of unlimited tax bonds authorized by District's voters for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and a storm drainage system. The Park Bonds constitute the first series of unlimited tax park bonds issued by the District from the $6,500,000 principal amount of unlimited tax park bonds authorized by the District's voters for the purpose of constructing and maintaining parks and recreational facilities within the District (the "Park Facilities"). The Road Bonds constitute the second series of unlimited tax road bonds issued by the District from the $4,750,000 principal amount of unlimited tax road and refunding bonds authorized by the District's voters for the purpose of constructing road facilities. Voters in the District have also authorized a total $61,000,000 principal amount of unlimited tax refunding bonds. Following the issuance of the Bonds, $62,300,000 principal amount of unlimited tax bonds, $3,560,000 principal amount of unlimited tax park bonds, no principal amount of unlimited tax road bonds and $61,000,000 principal amount of unlimited tax refunding bonds will remain authorized and unissued. The System and Park Bonds are issued pursuant to an order of the TCEQ, separate bond resolutions authorizing each series of Bonds, Article XVI, Section 50 of the Texas Constitution, and elections held within the District. See "THE BONDS – Authority for Issuance."

Outstanding Bonds .... The District has previously issued three series of unlimited tax bonds for water, sewer and drainage facilities (the "Outstanding System Bonds"). The District has also previously issued one series of unlimited tax road bonds (the "Outstanding Road Bonds") Of such previously issued bonds, $27,575,000 principal amount remains outstanding as of April 1, 2019 (the "Outstanding Bonds").

Legal Opinion .... Allen Boone Humphries Robinson LLP, Houston, Texas. See "LEGAL MATTERS."

Financial Advisor .... Robert W. Baird & Co. Incorporated, Houston, Texas.

Disclosure Counsel .... Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

THE DISTRICT

Description .... The District was created by the TCEQ, on October 21, 2004, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. At the time of the creation, the District encompassed 593.48 acres. The District has since annexed 256.382 acres on April 4, 2006, 65.44 acres on November 16, 2006, and the District intends to annex approximately 45 additional acres, which annexation is currently pending approval by the

	City of League City, Texas. Currently, the District encompasses 915.302 acres. Following the additional annexation, the total acreage of the District will be approximately 965 acres. The District is located entirely within Galveston County, Texas, approximately 25 miles southeast of the central business district of the City of Houston, Texas. The District is located entirely within the corporate limits of the City of League City, Texas. See "THE DISTRICT – Authority and Description."
Development within the District	Approximately 399.11 acres (1,068 lots) within the District have been developed into the single-family subdivisions of Hidden Lakes, Sections 1, 2, 3 (Phases 1 and 2), 4 (Phases 1 and 2), 5 (Phases 1 and 2), 6 (Phase 1), 7 (Phases 1 and 2), 8 (Phases 1 and 2), 9 and 10 and Coastal Point, Section 1-3. Approximately 97.20 acres in the District have been developed as commercial reserves that include a 98,000-square-foot HEB grocery store, a Walgreen's pharmacy, a Wendy's restaurant, a Verizon store, an Ocean Car Wash, a Sonic Drive-In, a dental office, and three separate retail strip centers occupied by Floors for Living, Texas Bay Credit Union, T-Mobile, Mod Pizza, Jersey Mike's, Super Cuts, and Mattress One, among other businesses. A second dental office, a medical office, and a Chick-fil-A are currently under construction. In addition, the Clear Falls High School, Bayside Intermediate School and Mossman Elementary School campuses occupy approximately 132.1 acres in the District. As of May 3, 2019, the District was comprised of 756 completed homes, 28 homes under construction and approximately 284 vacant developed lots. The remaining land within the District consists of 212.8 undeveloped but developable acres and approximately 74.1 undevelopable acres consisting of easements, rights of way and greenbelts. See "PRINCIPAL LAND OWNERS/DEVELOPERS," "DEVELOPMENT OF THE DISTRICT," and "THE DISTRICT."
Developers	The principal developers in the District are Hidden Lakes Development Partners LP, League City 210 Development Partners LP, and Sam Boyd d/b/a Sam Boyd Development. See "PRINCIPAL LANDOWNERS /DEVELOPERS," and "DEVELOPMENT OF THE DISTRICT."
Homebuilders Within the District	Homebuilders active within the District include Gehan Homes, Greeneco Builders, Empire Communities, Plantation Homes, Coventry Homes, D.R. Horton and Ashton Woods Homes. Prices of new homes being constructed within the District range from $230,000 to $550,000 and range in size from 1,750 to 5,000 square feet. See "PRINCIPAL LANDOWNERS/DEVELOPERS—Homebuilders Within the District."

INVESTMENT CONSIDERATIONS

THE DISTRICT'S TAXES ARE LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS."

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2018 Certified Taxable Assessed Valuation		$277,493,451 (a)
2019 Preliminary Assessed Valuation		$310,106,903 (b)
Estimated Taxable Valuation as of March 1, 2019		$326,884,952 (c)
Direct Debt:		
The Outstanding Bonds		$27,575,000
The System Bonds		$6,450,000
The Park Bonds		2,940,000
The Road Bonds		9,390,000
Total		$38,740,000
Estimated Overlapping Debt		$21,148,383 (d)
Total Direct and Estimated Overlapping Debt		$59,888,383
Direct Debt Ratios:		
As a percentage of 2018 Certified Taxable Assessed Valuation		13.96 %
As a percentage of 2019 Preliminary Assessed Valuation		12.49 %
As a percentage of the Estimated Taxable Valuation as of March 1, 2019		11.85 %
Direct and Estimated Overlapping Debt Ratios:		
As a percentage of 2018 Certified Taxable Assessed Valuation		21.58 %
As a percentage of 2019 Preliminary Assessed Valuation		19.31 %
As a percentage of the Estimated Taxable Valuation as of March 1, 2019		18.32 %
Park and System Debt Service Fund Balance (as of April 2, 2019)		$2,085,088 (e)
Road System Debt Service Fund Balance (as of April 2, 2019)		$ 398,851 (f)
General Fund Balance (as of April 2, 2019)		$1,205,275
Capital Project Fund Balance (as of April 2, 2019)		$ 123,064
2018 Tax Rate per $100 of Assessed Taxable Valuation		
Park and System Debt Service	$0.61	
Road Debt Service	0.10	
Maintenance	0.22	$0.93 (g)
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2019-2045)		$2,274,919
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2040)		$2,370,238
Combined System, Park and Road Tax Rate per $100 of Assessed Taxable Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2019-2045) at 95% Tax Collections		
Based Upon 2018 Certified Taxable Assessed Valuation ($277,493,451)		$0.87
Based Upon 2019 Preliminary Assessed Valuation ($310,106,903)		$0.78
Based Upon the Estimated Taxable Valuation as of March 1, 2019 ($326,884,952)		$0.74
Combined System, Park and Road Tax Rate per $100 of Assessed Taxable Valuation Required to Pay Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2040) at 95% Tax Collections		
Based Upon 2018 Certified Taxable Assessed Valuation ($277,493,451)		$0.90
Based Upon 2019 Preliminary Assessed Valuation ($310,106,903)		$0.81
Based Upon the Estimated Taxable Valuation as of March 1, 2019 ($326,884,952)		$0.77
Number of Single-Family Homes (including 28 homes in various stages of construction) as of May 3, 2019		784

(a) As of January 1, 2018. All property located in the District is valued on the appraisal rolls by the Galveston Central Appraisal District (the "Appraisal District") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Review Board. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District as the preliminary value as of January 1, 2019. This value represents the preliminary determination of the taxable value in the District as of January 1, 2019. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PRODECURES."

(c) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2018 to March 1, 2019. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."

(d) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."

(e) Neither Texas law nor the Bond Resolutions requires that the District maintain any particular sum in the Park and System Debt Service Fund. Funds in the System Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, sewer and drainage and parks purposes (e.g., the System Bonds and the Park Bonds) and are not available to pay debt service on bonds issued by the District for road purposes.

(f) Neither Texas law nor the Bond Resolutions requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay debt service on the bonds issued by the District for road purposes including the Road Bonds and Outstanding Road Bonds and are not available to pay debt service on bonds issued by the District for water, sewer and drainage and parks purposes (e.g., the System Bonds and the Park Bonds).

(g) The District is authorized to levy separate debt service taxes for its road debt and its water, sewer and park debt, both of which are unlimited as to rate or amount. See "THE BONDS – Authority for Issuance."

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 45

$6,450,000 UNLIMITED TAX BONDS SERIES 2019	$2,940,000 UNLIMITED TAX PARK BONDS SERIES 2019	$1,775,000 UNLIMITED TAX ROAD BONDS SERIES 2019

INTRODUCTION

This Official Statement of Galveston County Municipal Utility District No. 45 (the "District") is provided to furnish information with respect to the issuance by the District of its $6,450,000 Unlimited Tax Bonds, Series 2019 (the "System Bonds"), its $2,940,000 Unlimited Tax Park Bonds, Series 2019 (the "Park Bonds") and its $1,775,000 Unlimited Tax Road Bonds, Series 2016B (the "Road Bonds" and together with the System Bonds and the Park Bonds, the "Bonds"). The Bonds are issued pursuant to (i) Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) elections held within the District; (iii) a resolution adopted by the Board of Directors of the District (the "Board") authorizing the issuance of the System Bonds (the "System Bond Resolution"), a resolution adopted by the Board authorizing the issuance of the Park Bonds (the "Park Bond Resolution") and a resolution adopted by the Board authorizing the issuance of the Road Bonds (the "Road Bond Resolution," and together with the System Bond Resolution and the Park Bond Resolution, the "Bond Resolutions"), and (iv) an Order of the Texas Commission on Environmental Quality (the "TCEQ") for the System Bonds and the Park Bonds.

There follow in this Official Statement descriptions of the Bonds, the Developers (hereinafter defined), the Bond Resolutions and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, upon payment of the costs of duplication therefor. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolutions, except as otherwise indicated herein.

THE BONDS

General

The Bonds are dated July 1, 2019, with interest payable September 1, 2019, and each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. The Bonds are fully-registered serial bonds maturing on September 1 of the years shown under "PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS " on the cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds are to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

The 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 required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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 purchase 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 in 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.

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

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 Issue 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).

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent/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, the Bond certificates will be printed and delivered to DTC.

The information in the 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 thereof.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolutions for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor paying agent/registrar, and the successor paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor paying agent/registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the paying agent/registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Houston, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Redemption of the Bonds

Optional Redemption

The Bonds maturing on and after September 1, 2025, 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, 2024, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the Registered Owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity are to be redeemed; the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

Mandatory Redemption

The System Bonds maturing on September 1 in the year 2045 (the "System Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below at a redemption price of par plus accrued interest to the date of redemption.

$730,000 System Term Bond due September 1, 2045

Mandatory Redemption Date	Principal Amount
September 1, 2044	$360,000
September 1, 2045 (maturity)	370,000

The Park Bonds maturing on September 1 in the years 2031, 2033, 2035, 2037, 2039, 2041, 2043 and 2045 (the "Park Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below at a redemption price of par plus accrued interest to the date of redemption.

$200,000 Park Term Bond due September 1, 2031

Mandatory Redemption Date	Principal Amount
September 1, 2030	$100,000
September 1, 2031 (maturity)	100,000

$215,000 Park Term Bond due September 1, 2033

Mandatory Redemption Date	Principal Amount
September 1, 2032	$105,000
September 1, 2033 (maturity)	110,000

$230,000 Park Term Bond due September 1, 2035

Mandatory Redemption Date	Principal Amount
September 1, 2034	$110,000
September 1, 2035 (maturity)	120,000

$250,000 Park Term Bond due September 1, 2037

Mandatory Redemption Date	Principal Amount
September 1, 2036	$120,000
September 1, 2037 (maturity)	130,000

$275,000 Park Term Bond due September 1, 2039

Mandatory Redemption Date	Principal Amount
September 1, 2038	$135,000
September 1, 2039 (maturity)	140,000

$305,000 Park Term Bond due September 1, 2041

Mandatory Redemption Date	Principal Amount
September 1, 2040	$150,000
September 1, 2041 (maturity)	155,000

$315,000 Park Term Bond due September 1, 2043

Mandatory Redemption Date	Principal Amount
September 1, 2042	$155,000
September 1, 2043 (maturity)	160,000

$350,000 Park Term Bond due September 1, 2045

Mandatory Redemption Date	Principal Amount
September 1, 2044	$170,000
September 1, 2045 (maturity)	180,000

The Road Bonds maturing on September 1 in the years 2034, 2036, 2038, 2040, 2042 and 2045 (the "Road Term Bonds") are also subject to mandatory sinking fund redemption by the District by lot or other customary method of random selection prior to scheduled maturity on September 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below at a redemption price of par plus accrued interest to the date of redemption.

$135,000 Road Term Bond due September 1, 2034

Mandatory Redemption Date	Principal Amount
September 1, 2033	$65,000
September 1, 2034 (maturity)	70,000

$145,000 Road Term Bond due September 1, 2036

Mandatory Redemption Date	Principal Amount
September 1, 2035	$70,000
September 1, 2036 (maturity)	75,000

$160,000 Road Term Bond due September 1, 2038

Mandatory Redemption Date	Principal Amount
September 1, 2037	$80,000
September 1, 2038 (maturity)	80,000

$175,000 Road Term Bond due September 1, 2040

Mandatory Redemption Date	Principal Amount
September 1, 2039	$85,000
September 1, 2040 (maturity)	90,000

$185,000 Road Term Bond due September 1, 2042

Mandatory Redemption Date	Principal Amount
September 1, 2041	$90,000
September 1, 2042 (maturity)	95,000

$210,000 Road Term Bond due September 1, 2045

Mandatory Redemption Date	Principal Amount
September 1, 2044	$105,000
September 1, 2045 (maturity)	105,000

On or before 30 days prior to each Mandatory Redemption Date as set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of the Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary method of random selection, the Term Bonds or portions of the Term Bonds of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolutions. The principal amount of Term Bonds of a maturity to be redeemed shall be reduced, at the discretion of the District, by the principal amount of any Term Bonds of such maturity, which by the 50th day prior to such Mandatory Redemption Date, shall have either been purchased in the open market and delivered or tendered for cancellation by the District or on behalf of the District to the Registrar or optionally redeemed and which, in either case, have not previously been made the basis for a reduction under this sentence.

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the book-entry-only system is discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Registrar of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Authority for Issuance

The System Bonds constitute the fourth series of unlimited tax bonds issued by the District from the $94,000,000 principal amount of unlimited tax bonds authorized by District's voters for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and a storm drainage system, the Park Bonds constitute the first series of unlimited tax park bonds issued by the District from the $6,500,000 principal amount of unlimited tax park bonds authorized by the District's voters for the purpose of constructing and maintaining parks and recreational facilities within the District (the "Park Facilities"), and the Road Bonds constitute the second series of unlimited tax road bonds issued by the District from the $4,750,000 principal amount of unlimited tax road and refunding bonds authorized by the District's voters for the purpose of constructing road facilities. Voters in the District have also authorized a total $61,000,000 principal amount of unlimited tax refunding bonds. Following the issuance of the Bonds, $62,300,000 principal amount of unlimited tax bonds, $3,560,000 principal amount of unlimited tax park bonds, no principal amount of unlimited tax road bonds and $61,000,000 principal amount of unlimited tax refunding bonds will remain authorized and unissued.

Source of Payment

The Bonds are payable from the proceeds of two separate, continuing, and direct ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Resolutions, the District covenants to levy sufficient taxes to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees, and fees of the Appraisal District. Tax proceeds, after deduction for collection costs, will be placed in the Park and System Debt Service Fund or Road System Debt Service Fund, as applicable, and used solely to pay principal of and interest on the applicable Bonds, any additional bonds payable from taxes which may be issued for the park purposes, water, sewer and drainage purposes and road purposes, and fees of the Paying Agent/Registrar. Bonds for (i) park purposes and water, sewer and drainage purposes and (ii) road purposes are each supported by the proceeds of a separate unlimited tax levied annually by the District. Amounts on deposit in the Park and System Debt Service Fund may not be used to pay debt service on the Road Bonds or any other bonds that the District may hereafter issue for road purposes. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on the Park Bonds or System Bonds or any other bonds that the District may hereafter issue for park purposes or water, sewer and drainage purposes.

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

Outstanding Bonds

The District has previously issued three series of unlimited tax bonds for water, sewer and drainage facilities (the "Outstanding System Bonds"). The District has previously issued one series of unlimited tax road bonds (the "Outstanding Road Bonds") Of such series of bonds, $27,575,000 principal amount remains outstanding as of April 1, 2019 (the "Outstanding Bonds").

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ, necessary to provide improvements and facilities consistent with the purposes for which the District was created. The District's voters have authorized the issuance of $94,000,000 unlimited tax bonds for water, sewer and drainage purposes and could authorize additional amounts. The District has also authorized $61,000,000 unlimited tax refunding bonds, $4,750,000 unlimited tax bonds for road facilities and refundings and $6,500,000 unlimited tax park and recreational bonds. The System Bonds constitute the fourth series of unlimited tax bonds issued by the District from the $94,000,000 principal amount of unlimited tax bonds authorized by District's voters for the purpose of purchasing, constructing, operating and maintaining a water, wastewater and a storm drainage system, the Park Bonds constitute the first series of unlimited tax park bonds issued by the District from the $6,500,000 principal amount of unlimited tax park bonds authorized by the District's voters for the purpose of constructing and maintaining the Park Facilities, and the Road Bonds constitute the second series of unlimited tax road bonds issued by the District from the $4,750,000 principal amount of unlimited tax road bonds authorized by the District's voters for the purpose of constructing road facilities. Voters in the District have also authorized a total $61,000,000 principal amount of unlimited tax refunding bonds. Following the issuance of the Bonds, $62,300,000 principal amount of unlimited tax bonds, $3,560,000 principal amount of unlimited tax park bonds, no principal amount of unlimited tax road bonds and $61,000,000 principal amount of unlimited tax refunding bonds will remain authorized and unissued. The Bond Resolutions impose no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and approved by the TCEQ). Following the issuance of the Bonds, the District will owe Developers approximately $9,745,000 for existing water, wastewater and drainage facilities, park facilities and road facilities located within the District.

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 fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The Board has not considered adoption of a fire plan or calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

No Arbitrage

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

Consolidation and Dissolution

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

The City of League City (the "City") has the right to abolish and dissolve the District and to acquire the District's assets and assume the District's obligations in accordance with state law, subject, however to the terms of the Utility Service Agreement between the District and the City. See "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND CITY OF LEAGUE CITY." If any of the Bonds are outstanding at the time of dissolution, the payment of such Bonds becomes the obligation of the City. Dissolution of the District is a policy matter for the City. The District can make no representation regarding the likelihood that the City will dissolve the District.

Defeasance

The Bond Resolutions provide 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 noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision 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 which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt 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.

Registered Owners' Remedies

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolutions do not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

USE AND DISTRIBUTION OF BOND PROCEEDS

The System Bonds

Proceeds of the sale of the System Bonds will be used by the District to finance (i) Rough Cut detention basin; (ii) drainage facilities at Hidden Lakes; (iii) Rough Cut detention basin expansion; and (vii) pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the TCEQ, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the System Bonds.

	District's Share
CONSTRUCTION COSTS	
A. Developer Contribution Items	
1. Rough Cut Detention Basin	$ 731,503
2. Drainage Facilities at Hidden Lakes	2,788,908
3. Detention Basin Expansion	821,055
4. Engineering and Surveying	470,243
Total Developer Contribution Items	**$4,811,709**
B. District Items	
None	
TOTAL CONSTRUCTION COSTS	**$4,811,709**
NONCONSTRUCTION COSTS	
A. Legal Fees	$ 169,000
B. Fiscal Agent Fees	129,000
C. Developer Interest	1,019,216
D. Bond Discount	193,500
E. Bond Issuance Expenses	40,000
F. Bond Application Report	65,000
G. Attorney General Fee (0.1% or $9,500 maximum)	6,450
H. TCEQ Bond Issuance Fee (0.25%)	16,125
TOTAL NONCONSTRUCTION COSTS	**$1,638,291**
TOTAL BOND ISSUE REQUIREMENT	**$6,450,000**

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

The Park Bonds

Proceeds of the sale of the Park Bonds will be used by the District to finance (i) Hidden Lakes park landscape improvements; (ii) landscaping and recreational facilities for Hidden Lakes, Sections 3, 4, 5, 6, 7A and 8A; and (iii) pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the TCEQ, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Park Bonds.

	District's Share
CONSTRUCTION COSTS	
A. Developer Contribution Items	
None	
B. District Items	
1. Drainage Facilities at Hidden Lakes – Amenities	$441,622
2. Hidden Lakes Park Landscape Improvements	802,514
3. Landscaping and Recreational Facilities - Hidden Lakes, Sections 3, 4, & 5	438,416
4. Landscaping and Recreational Facilities - Hidden Lakes, Sections 6 & 7A	577,470
5. Landscaping and Recreational Facilities - Hidden Lakes, Section 8A	95,896
6. Landscape Architect and Engineering Fees	191,443
7. Land Cost - Hidden Lakes Recreation Center	115,683
Total District Items	**$2,663,044**
TOTAL CONSTRUCTION COSTS	**$2,663,044**
NONCONSTRUCTION COSTS	
A. Legal Fees	$ 88,200
B. Fiscal Agent Fees	58,800
C. Developer Interest	0
D. Bond Discount	75,264
E. Bond Issuance Expenses	6,466
F. Bond Application Report	25,000
G. Attorney General Fee (0.1% or $9,500 maximum)	2,940
H. TCEQ Bond Issuance Fee (0.25%)	7,350
I. Contingency (a)	12,936
TOTAL NONCONSTRUCTION COSTS	**$ 276,956**
TOTAL BOND ISSUE REQUIREMENT	**$2,940,000**

(a) In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

The Road Bonds

Proceeds of the sale of the Road Bonds will be used by the District for construction costs associated with certain road improvements in the District and pay for administrative and issuance costs, legal fees, financial advisor fees, a fee to the Attorney General of Texas, and certain financing costs related to the issuance of the Bonds.

		District's Share
CONSTRUCTION COSTS		
A.	Madrid Lane, Phase 1	$ 571,145
B.	Madrid Lane, Phase 2	855,605
C.	Engineering, Phase 1	65,221
D.	Engineering, Phase 2	100,379
	TOTAL CONSTRUCTION COSTS	**$1,592,350**
NONCONSTRUCTION COSTS		
A.	Legal Fees	$ 62,125
B.	Fiscal Agent Fees	35,500
C.	Bond Discount	53,250
D.	Bond Issuance Expenses	25,000
E.	Engineering Fee	5,000
F.	Attorney General Fee (0.1% or $9,500 maximum)	1,775
	TOTAL NONCONSTRUCTION COSTS	**$ 182,650**
	TOTAL BOND ISSUE REQUIREMENT	**$1,775,000**

The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Road Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus constructions funds may be used, limited, however, to the purposes for which the Bonds were issued. The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

Authority

The District was created by order of the TCEQ, dated October 21, 2004, and by a confirmation election held within the District on November 7, 2006, and operates under Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of the State of Texas applicable to municipal utility districts.

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 also is authorized to construct, develop and maintain park and recreational facilities using operating revenues or by issuing bonds payable from taxes, and, under certain limited circumstances, with TCEQ approval, to construct roads.

In addition, the District is authorized, upon TCEQ and voter approval, to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District.

Description

At the time of the creation, the District encompassed 593.48 acres. The District has since annexed 256.382 acres on April 4, 2006, 65.44 acres on November 16, 2006, 5.04 acres on September 4, 2018, and the District intends to annex approximately 45 additional acres, which annexation is currently pending approval by the City of League City, Texas. Currently, the District encompasses 920.342 acres. Following the annexation, the total acreage of the District will be approximately 965 acres. The District is located entirely within Galveston County, Texas, approximately 25 miles southeast of the central business district of the City of Houston, Texas. The District is located entirely within the corporate limits of the City of League City, Texas.

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property in the District. The directors serve four-year staggered terms. Elections are held in even numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Cheryl Leonard	President	2022
Kevin Moore	Vice President	2020
Linda Landrum	Assistant Vice President	2022
Linda Duryea	Secretary	2022
Maurice Heimlich	Assistant Secretary	2020

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and TexStar, which are 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 portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for utility system operating, bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Tax Assessor/Collector

The tax assessor/collector for the District is Thomas W. Lee of Assessments of the Southwest, Inc. According to Assessments of the Southwest, Inc., its employees currently serve approximately 105 other special districts as tax assessor/collector.

Bookkeeper

The District's bookkeeper is Myrtle Cruz, Inc. Such firm acts as bookkeeper for approximately 290 utility districts.

Utility System Operator

The City of League City, pursuant to the Utility Agreement (hereinafter defined) by and between the District and the City, operates the District's water and sewer system. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY."

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. The District engaged McGrath & Co., PLLC as its auditor for the fiscal year ended June 30, 2018, which audit is included under Appendix A.

Engineer

The District's Engineer is Dannenbaum Engineering Corp. (the "Engineer"). Such firm acts as engineer for many residential and commercial developments in Texas.

Bond Counsel

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Financial Advisor

Robert W. Baird & Co. Incorporated is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Disclosure Counsel

Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel.

DEVELOPMENT OF THE DISTRICT

Approximately 399.11 acres (1,068 lots) within the District have been developed into the single-family subdivisions of Hidden Lakes, Sections 1, 2, 3 (Phases 1 and 2), 4 (Phases 1 and 2), 5 (Phases 1 and 2), 6 (Phase 1), 7 (Phases 1 and 2), 8 (Phases 1 and 2), 9 and 10 and Coastal Point, Section 1-3. Additionally, approximately 30.34 acres (103 lots) are currently under development as Coastal Point, Section 3. Approximately 97.20 acres in the District have been developed as commercial reserves that include a 98,000-square-foot HEB grocery store, a Walgreen's pharmacy, a Wendy's restaurant, a Verizon store, an Ocean Car Wash, a Sonic Drive-In, a dental office, and three separate retail strip centers occupied by Floors for Living, Texas Bay Credit Union, T-Mobile, Mod Pizza, Jersey Mike's, Super Cuts, and Mattress One, among other businesses. A second dental office, a medical office, and a Chick-fil-A are currently under construction. In addition, the Clear Falls High School, Bayside Intermediate School and Mossman Elementary School campuses occupy approximately 132.1 acres in the District.

As of May 3, 2019, the District was comprised of 756 completed homes, 28 homes under construction and approximately 284 vacant developed lots. The remaining land within the District consists of 212.8 undeveloped but developable acres and approximately 74.1 undevelopable acres consisting of easements, rights of way and greenbelts.

Status of Development within the District

The following is a status of construction of single-family housing within the District as of May 3, 2019:

Development Area	Acreage	Platted Lots	Completed Homes	Homes Under Construction	Remaining Vacant Developed Lots
Hidden Lakes,					
Section 1	28.29	98	93	5	0
Section 2	40.90	116	116	0	0
Section 3-1	16.71	74	74	0	0
Section 3-2	9.15	62	62	0	0
Section 4-1	35.43	45	45	0	0
Section 4-2	11.72	42	42	0	0
Section 5-1	20.04	69	69	0	0
Section 5-2	14.60	62	61	1	0
Section 6-1	12.94	42	42	0	0
Section 7-1	39.34	57	57	0	0
Section 7-2	20.87	30	20	1	9
Section 8-1	19.75	43	43	0	0
Section 8-2	8.77	24	6	4	14
Section 9	13.51	46	14	5	27
Section 10	29.79	59	12	12	35
Coastal Point,					
Section 1	33.91	68	0	0	68
Section 2	13.06	28	0	0	28
Section 3	30.34	103	0	0	103
	368.77	1,068	756	28	284
Commercial Acreage	97.20				
School Acreage	132.09				
Undeveloped but Developable Acreage	212.80				
Undevelopable Acreage	74.10				
Total	915.30				

PRINCIPAL LANDOWNERS/DEVELOPERS

Role of the Developers

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain of the water, wastewater and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property. The entities described below are defined collectively as the "Developers."

Principal Landowners/Developers

HIDDEN LAKES DEVELOPMENT PARTNERS LP

Hidden Lakes Development Partners LP, a Delaware limited partnership ("Hidden Lakes"), whose general partner is Hidden Lakes Development (Houston GP) Corp., an Ontario corporation, purchased approximately 281 acres from Sam Boyd and League City Investors. All planned lots within Hidden Lakes have been developed with water, sewer and drainage facilities.

LEAGUE CITY 210 DEVELOPMENT PARTNERS LP

League City Development Partners LP, a Delaware limited partnership ("League City 210"), whose general partner is League City 210 GP Inc., an Ontario corporation, purchased approximately 203 acres from Englewood Land Investments LP and Wanda Kay Painter, all to be developed as approximately 540 single-family residential lots within Coastal Point. The District makes no representation as to the likelihood of the planned development to occur or the pace at which the planned development might occur.

League City 210 has a $14,721,000.00 loan from Texas Capital Bank. Such loan bears interest at six and one-half percent (6.50%) and matures on May 10, 2018. The loan is secured by land owned by League City 210 within the District. The outstanding balance on the loan is $10,593,642.83 as of March 31, 2019. According to League City 210, it is in compliance with all material conditions of the loan.

SAM BOYD DEVELOPMENT

Sam Boyd, d/b/a Sam Boyd Development, is the original land owner in the District. Since the District's creation, Sam Boyd Development has sold various tracks to different entities, including the land which now contains the Clear Creek ISD Education Village, the H-E-B grocery store, the commercial development currently in the District as well as the land to the other Developers. Sam Boyd Development owns approximately 40 acres in the District.

Homebuilders within the District

Homebuilders active within the District include Gehan Homes, Greeneco Builders, Empire Communities, Plantation Homes, Coventry Homes, Megatel Homes, D.R. Horton and Ashton Woods Homes. Prices of new homes being constructed within the District range from $230,000 to $550,000 and range in size from 1,750 to 5,000 square feet.

UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY

All land in the District is located within the city limits of the City of League City. Shortly after the District was created, the District approved and ratified a Utility Agreement with the City dated May 27, 2003, (the "Utility Agreement"). The Utility Agreement obligates the District to acquire, construct, and extend water, sanitary sewer and drainage facilities (the "System") to serve land in the District and, when completed in accordance with approved plans and specifications, the District is required to convey title to such utility facilities to the City. The City then operates and maintain such facilities, and is responsible for establishing water and sewer rates and collection charges for water and sewer service from District residents. the City also levies and collects ad valorem taxes on taxable property within the District just as it does with any other property located in the City. As specified in the Utility Agreement, the District is a "City Service" district and no rebate of City taxes is required. Defined terms listed in the remainder of this section not otherwise defined herein have the meaning ascribed thereto in the Utility Agreement.

The Utility Agreement's significant provisions relating to issuance of District bonds (which may be waived by the City) include the following:

(A) Limitation on the District's bond indebtedness.

The District cannot sell bonds if the ratio of the District's indebtedness to its assessed valuation exceeds 25% during the first 24 months after the bond date and 15% thereafter.

(B) Bonds are required to be issued in series with the minimum limit on each series being $2,500,000.

(C) The final maturity of all bonds issued shall not exceed thirty (30) years from the date of the initial series of bonds.

(D) The District shall, as specified herein, obtain the City's approval prior to advertising the sale of its bonds. Whenever possible, the District's sale of bonds be scheduled so as not to conflict with a City sale of bonds.

(E) For any bond issue, the combined projected debt service tax rate, as defined in 30 TAC 293.59 referenced above, shall not exceed $1.50.

(F) For each bond sale, the District shall demonstrate that, at final build-out, the District's net direct debt as a percentage of current and estimated certified assessed value will not exceed ten and one-half percent (10 ½%).

(G) The District is required to obtain the City's approval prior to the advertisement and sale of bonds. Whenever the District requests such approval, the District will provide the City with a copy of the Engineering Report and will certify to the City that the District has complied with the above listed requirements.

The Utility Agreement provides that the District retains a security interest in the System to secure the City's performance under the Utility Agreement until the District's bonds have been discharged. The District will then execute a release of such security interest, and the City will then own the System free and clear.

The District has agreed to extend the System to serve future users as necessary so that ultimately all land owners in the District will be in a position to receive services from the System; however, the District's obligation to extend the system is conditioned upon the Developer's continuing with its development program, the City performing under the provisions of the Utility Agreement, the satisfaction of certain determinations of economic feasibility, governmental agency approvals and the ability of the District to sell bonds.

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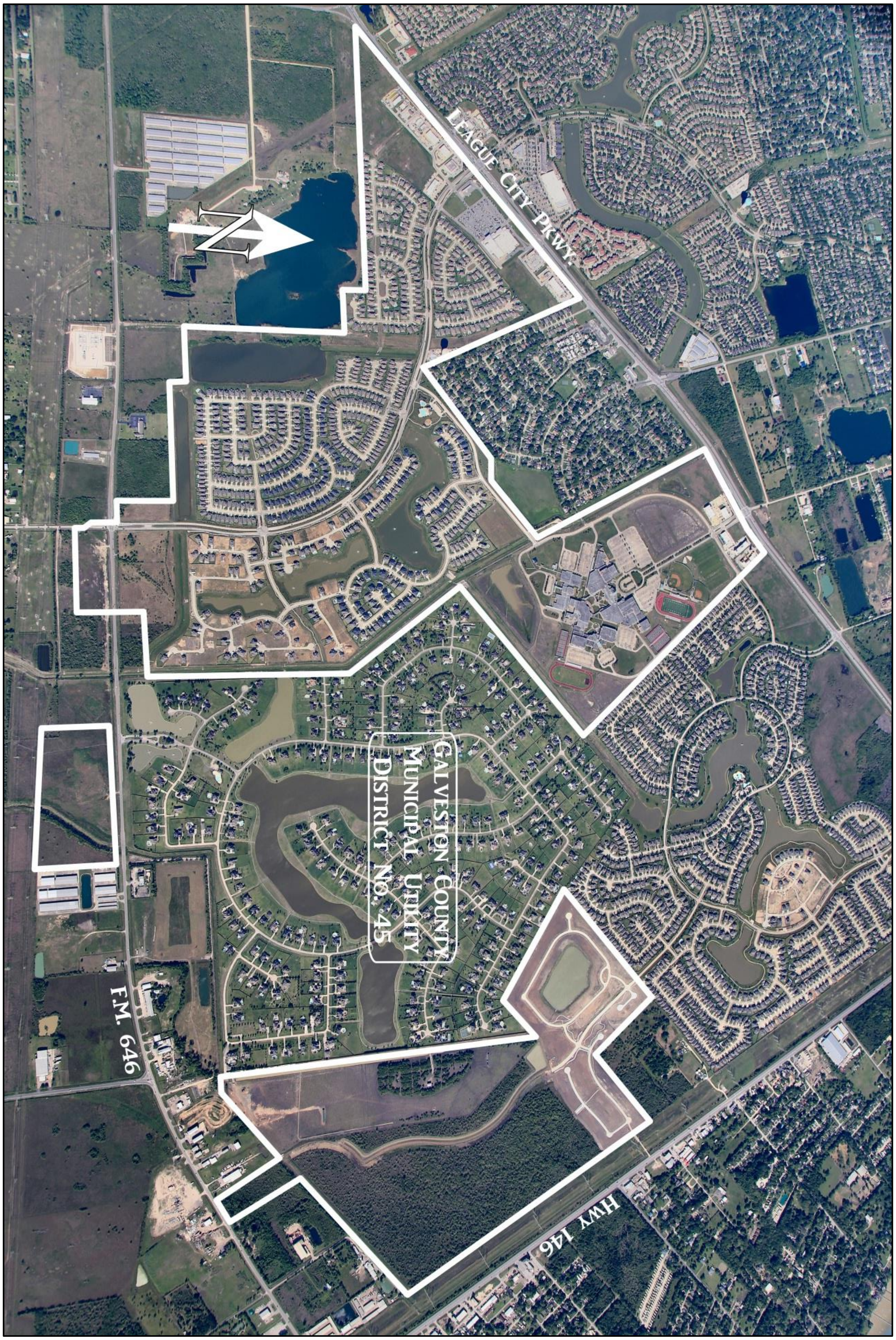
AERIAL PHOTOGRAPH OF THE DISTRICT
(taken April 2019)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(taken March 2018)

Walgreen's Pharmacy

Single-Family Residential

Commercial Center

Single-Family Residential

H-E-B Grocery

Single-Family Residential Under Construction

Single-Family Residential

Single-Family Residential Under Construction

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the interest requirements for the Bonds and the Outstanding Bonds.

Calendar	Outstanding	The System Bonds		The Park Bonds		The Road Bonds		Total
Year	Debt Service	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2019	$ 1,645,544	$ 0	$ 31,870	$ 0	$ 13,932	$ 0	$ 8,990	$1,700,335
2020	1,649,594	155,000	191,219	65,000	83,593	40,000	53,938	2,238,343
2021	1,647,844	160,000	184,244	70,000	81,643	40,000	52,138	2,235,868
2022	1,650,344	170,000	177,844	70,000	79,543	45,000	50,338	2,243,068
2023	1,652,044	170,000	171,044	75,000	78,143	45,000	48,313	2,239,543
2024	1,652,144	180,000	164,244	80,000	76,643	45,000	46,288	2,244,318
2025	1,656,394	185,000	157,044	85,000	75,043	50,000	44,263	2,252,743
2026	1,656,194	190,000	153,344	85,000	73,258	50,000	42,763	2,250,558
2027	1,659,569	200,000	149,544	85,000	71,303	55,000	41,763	2,262,178
2028	1,661,150	210,000	145,544	90,000	69,263	55,000	40,663	2,271,619
2029	1,661,363	215,000	141,344	95,000	67,013	55,000	39,563	2,274,281
2030	1,664,950	220,000	136,506	100,000	64,638	60,000	38,325	2,284,419
2031	1,671,444	225,000	131,006	100,000	61,638	60,000	36,825	2,285,913
2032	1,671,369	235,000	125,100	105,000	58,638	65,000	35,250	2,295,356
2033	1,674,569	245,000	118,050	110,000	55,488	65,000	33,300	2,301,406
2034	1,676,125	255,000	110,700	110,000	52,188	70,000	31,350	2,305,363
2035	1,680,875	260,000	103,050	120,000	48,888	70,000	29,250	2,312,063
2036	1,683,750	270,000	95,250	120,000	45,288	75,000	27,150	2,316,438
2037	1,684,763	275,000	87,150	130,000	41,688	80,000	24,900	2,323,500
2038	1,683,194	290,000	78,900	135,000	37,788	80,000	22,500	2,327,381
2039	1,684,863	300,000	70,200	140,000	33,738	85,000	20,100	2,333,900
2040	1,684,019	310,000	61,200	150,000	29,538	90,000	17,550	2,342,306
2041	1,686,206	320,000	51,900	155,000	25,038	90,000	14,850	2,342,994
2042	1,691,225	335,000	42,300	155,000	20,388	95,000	12,150	2,351,063
2043	1,693,275	345,000	32,250	160,000	15,738	100,000	9,300	2,355,563
2044	1,687,919	360,000	21,900	170,000	10,938	105,000	6,300	2,362,056
2045	1,695,363	370,000	11,100	180,000	5,625	105,000	3,150	2,370,238
Total	$45,106,088	$6,450,000	$2,943,845	$2,940,000	$1,376,610	$1,775,000	$831,265	$61,422,806

Average Annual Requirement on the Bonds and the Outstanding Bonds - (2019-2045)........ $2,274,919
Maximum Annual Requirement on the Bonds and the Outstanding Bonds - (2040)........ $2,370,238

Bonded Indebtedness

2018 Certified Taxable Assessed Valuation		$278,119,369	(a)
2019 Preliminary Assessed Valuation		$310,106,903	(b)
Estimated Taxable Valuation as of March 1, 2019		$326,884,952	(c)
Direct Debt:			
Outstanding Bonds		$27,575,000	
The System Bonds		$6,450,000	
The Park Bonds		2,940,000	
The Road Bonds		9,390,000	
Total		$38,740,000	
Estimated Overlapping Debt		$21,148,383	(d)
Total Direct and Estimated Overlapping Debt		$59,888,383	
Park and System Debt Service Fund Balance (as of April 2, 2019)		$2,085,088	(e)
Road System Debt Service Fund Balance (as of April 2, 2019)		$ 398,851	(f)
General Fund Balance (as of April 2, 2019)		$1,205,275	
Capital Project Fund Balance (as of April 2, 2019)		$ 123,064	
2018 Tax Rate per $100 of Assessed Taxable Valuation			
System Debt Service	$0.61		
Road Debt Service	0.10		
Maintenance	0.22	$0.92	(g)
Direct Debt Ratios:			
As a percentage of 2018 Certified Taxable Assessed Valuation ($278,119,369)		13.96	%
As a percentage of 2019 Preliminary Assessed Valuation ($310,106,903)		12.49	%
As a percentage of the Estimated Taxable Valuation as of March 1, 2019 ($326,884,952)		11.85	%
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of 2018 Certified Taxable Assessed Valuation ($278,119,369)		21.58	%
As a percentage of 2019 Preliminary Assessed Valuation ($310,106,903)		19.31	%
As a percentage of the Estimated Taxable Valuation as of March 1, 2019 ($326,884,952)		18.32	%

(a) As of January 1, 2018. All property located in the District is valued on the appraisal rolls by the Galveston Central Appraisal District (the "Appraisal District") at 100% of market value as of January 1 of each year. The District's tax roll is certified by the Appraisal Review Board. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District as the preliminary value as of January 1, 2019. This value represents the preliminary determination of the taxable value in the District as of January 1, 2019. No taxes will be levied on this preliminary value, which is subject to protest by landowners. See "TAXING PRODECURES."

(c) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2018 to March 1, 2019. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."

(d) See "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement."

(e) Neither Texas law nor the Bond Resolutions or System Bond Resolution requires that the District maintain any particular sum in the Park and System Debt Service Fund. Funds in the System Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, sewer and drainage and parks purposes (e.g., the System Bonds and the Park Bonds) and are not available to pay debt service on bonds issued by the District for road purposes.

(f) Neither Texas law nor the Bond Resolutions requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay debt service on the bonds issued by the District for road purposes including the Road Bonds and Outstanding Road Bonds and are not available to pay debt service on bonds issued by the District for water, sewer and drainage and parks purposes (e.g., the System Bonds and the Park Bonds).

(g) The District is authorized to levy separate debt service taxes for its road debt and its water, sewer and park debt, both of which are unlimited as to rate or amount. See "THE BONDS – Authority for Issuance."

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt as of February 28, 2019	Estimated Overlapping Percent	Estimated Overlapping Amount
Galveston County	$217,633,720	0.97%	$ 2,111,047
Clear Creek ISD	910,060,000	1.28	11,648,768
City of League City	216,040,000	3.42	7,388,568
Total Estimated Overlapping Debt			$21,148,383
The District			38,740,000(a)
Total Direct & Estimated Overlapping Debt			$59,888,383(a)

(a) Includes the Bonds.

Debt Ratios

	% of 2018 Assessed Taxable Valuation	% of 2019 Preliminary Assessed Valuation	% the Estimated Taxable Valuation as of March 1, 2019
Direct Debt (a)	13.96%	12.49%	11.85%
Direct and Estimated Overlapping Debt (a)	21.58%	19.31%	18.32%

(a) Includes the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Park Bonds and the System Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the System or parks and to pay the expenses of assessing and collecting such taxes (see "INVESTMENT CONSIDERATIONS – Future Debt"). In the Park Bond Resolution and the System Bond Resolution, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." The Board is also authorized to levy an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest on the Road Bonds and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing roads and to pay the expenses of assessing and collecting such taxes. In the Road Bond Resolution, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. See "TAX DATA – Maintenance Tax."

Property Tax Code and County-wide Appraisal District

The Texas Property Tax Code (the "Property Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Code are complex and are not fully summarized herein. The Property 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 of appraising property for all taxing units within Galveston County, including the District. Such appraisal values will be subject to review and change by the Galveston Central Appraisal Review Board (the

"Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain 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 65 years of age or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve the same at an election. The District would be required to call 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, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse, and surviving spouses of a deceased veteran who had received a disability rating of 100% are entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

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. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised market 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 before July 1. The District has never adopted a homestead exemption. See "TAX DATA - Exemptions."

Freeport Goods and Goods-in-Transit Exemption: 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 2013 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 property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Galveston County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of 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 the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, Galveston County has not designated any of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property 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 fair market value. The Property 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 of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property 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 Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property 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 property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals 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 to formally include such values on its appraisal roll.

Certain qualified taxpayers, including owners of residential homesteads, located within a 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.

District and Taxpayer Remedies

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

The Property Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

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 in writing 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 equal 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. If a rollback election is called and passes, the rollback tax rate is the current year's debt service tax rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service tax rate 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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. 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 two years for residential and agricultural property and six months for commercial property and all other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of two separate continuing, direct annual ad valorem taxes without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (see "TAXING PROCEDURES"). The Board has in its Bond Resolutions covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds (see "THE BONDS" and "INVESTMENT CONSIDERATIONS"). The District levied a maintenance tax of $0.22 per $100 of assessed valuation, a debt service tax of $0.61 per $100 of assessed valuation for water, sewer and drainage purposes and a $0.10 per $100 assessed valuation for road purposes for the 2018 tax year.

Tax Rate Limitation

Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.50 per $100 Assessed Taxable Valuation.

Maintenance Tax

The Board 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. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed $1.50 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The District has levied a maintenance tax every year since the 2005 tax year. See "- Tax Rate Distribution".

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of Assessed Taxable Valuation which would be required to meet certain debt service requirements if no growth in the District's tax base occurs beyond the 2018 Certified Taxable Assessed Valuation ($278,119,369), the 2019 Preliminary Assessed Valuation ($310,106,903) or the Estimated Taxable Valuation as of March 1, 2019 ($326,884,952). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2019-2045)	$2,274,919
Combined System, Park and Road Tax Rate of $0.87 on the 2018 Certified Taxable Assessed Valuation produces	$2,293,483
Combined System, Park and Road Tax Rate of $0.78 on the 2019 Preliminary Assessed Valuation produces	$2,297,892
Combined System, Park and Road Tax Rate of $0.74 on the Estimated Taxable Valuation as of March 1, 2019 produces	$2,298,001
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2019-2045)	$2,370,238
Combined System, Park and Road Tax Rate of $0.90 on the 2018 Certified Taxable Assessed Valuation produces	$2,372,569
Combined System, Park and Road Tax Rate of $0.81 on the 2019 Preliminary Assessed Valuation produces	$2,386,273
Combined System, Park and Road Tax Rate of $0.77 on the Estimated Taxable Valuation as of March 1, 2019 produces	$2,391,163

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT - Estimated Direct and Overlapping Debt Statement"), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2018 taxes per $100 of assessed valuation levied by all such taxing jurisdictions.

Taxing Jurisdictions	**2018 Tax Rate Per $100 of Assessed Taxable Valuation**
The District	$0.930000
Galveston County (a)	0.531898
Clear Creek Independent School District	1.400000
City of League City	0.563800
Total Tax Rate	$3.425698

No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

(a) Includes $0.002067 for Galveston County Road & Flood ad valorem taxes.

Historical Tax Collections

Tax Year	Assessed Valuation	Tax Rate/ $100 (a)	Adjusted Levy	% of Collections Current Year	For the Year Ended September 30	% of Collections as of 02/28/2019
2013	$ 1,976,360	$1.00000	$ 19,764	87.13%	2014	100.00%
2014	47,420,613	1.00000	474,206	99.99%	2015	100.00%
2015	95,019,294	1.00000	950,193	99.99%	2016	100.00%
2016	157,197,688	1.00000	1,571,977	99.94%	2017	100.00%
2017	216,842,529	0.95000	2,060,004	99.60%	2018	99.83%
2018	277,493,451	0.93000	2,580,689	96.50%(b)	2019	96.50%(b)

(a) See "Tax Rate Distribution".
(b) In process of collection.

Tax Rate Distribution

	2018	2017	2016	2015	2014
Debt Service (System and Park)	$0.61	$0.69	$0.69	$0.10	$0.00
Debt Service (Roads)	0.10	0.07	0.00	0.00	0.00
Maintenance	0.22	0.19	0.31	0.90	1.00
	$0.93	$0.95	$1.00	$1.00	$1.00

Assessed Taxable Valuation Summary

The following represents the type of property comprising the 2014-2018 tax rolls as certified by the Appraisal District.

Type of Property	2018 Assessed Taxable Valuation	2017 Assessed Taxable Valuation	2016 Assessed Taxable Valuation	2015 Assessed Taxable Valuation	2014 Assessed Taxable Valuation
Land	$ 86,969,070	$ 74,660,030	$ 66,564,385	$51,178,550	$38,175,190
Improvements	245,329,225	183,325,070	131,292,710	87,441,070	56,307,630
Personal Property	11,279,987	11,459,454	9,332,962	5,602,256	737,677
Exemptions	(66,084,831)	(52,602,025)	(49,992,369)	(49,202,582)	(47,799,884)
Total	$277,493,451	$216,842,529	$157,197,688	$95,019,294	$47,420,613

Principal Taxpayers

The following are the principal taxpayers in the District as shown on the District's certified appraisal rolls for the 2018 tax year.

Taxpayer	Type of Property	Assessed Taxable Valuation 2018 Tax Roll
HEB Grocery Company LP	Commercial	$13,006,290
MHI Partnership LTD	Lots and Homes	5,154,910
Bhagia Collaborations LTD	Commercial	3,325,440
SH 96 South Shore LLC (a)	Commercial	3,119,990
Hidden Lakes Development Partnership (a)	Lots and Homes	3,100,590
96 Lawrence Investment Group LLC (a)	Land	2,879,850
EHT of Texas LP	Commercial	2,332,450
Walgreens Co.	Commercial	1,985,880
League City 210 Dev Prtnrs LP	Land	1,880,380
Krupa Properties II LLC	Commercial	1,841,900
Total		$38,627,680
% of Respective Tax Roll		13.92%

(a) See "PRINCIPAL LANDOWNERS/DEVELOPERS."

THE SYSTEM

Regulation

According to the Engineer, the System has been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City and the Galveston County Drainage District. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ.

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

Water Supply

Water supply for the City is obtained from three sources: 1) existing groundwater wells; 2) surface water as a participant in the Southeast Water Purification Plant; and 3) surface water from the City of Dickinson from the Thomas Mackey Water Purification Plant. Water from these three sources is delivered to the City's nine water plants and from there distributed to retail customers such as the residents of the District.

Wastewater Treatment

The District has constructed a lift station, force main and gravity trunk sewer to connect to the City regional sewer system, which flows to the City's Dallas Salmon Wastewater Plant, its primary wastewater plant. This plant has sufficient capacity to serve the District through build out.

100-Year Flood Plain

No land within the District lies within the current Federal Emergency Management Agency ("FEMA") Flood Effective Plain Maps. FEMA is proposing new Flood Plain Maps which will redefine existing flood plain areas and could reflect areas of the District being within some flood plain areas. Furthermore, all excavation from the District's detention facilities has been used to raise any portions of the District that were previously low to a higher elevation. The District is susceptible to coastal flooding in the event of a hurricane. See "INVESTMENT CONSIDERATIONS - Risk of Hurricane Loss."

THE ROAD SYSTEM

The road system serves residents of the District by providing access to the major thoroughfares and collectors within the development of Hidden Lakes and its surrounding area. The major thoroughfares and collectors serving the District include South Shore Boulevard, Bishops Bridge, and Rapid Creek Lane. Bishops Bridge and Rapid Creek Lane act as collectors by conveying residents of the District to the major thoroughfare of South Shore Boulevard which connects to League City Parkway to the north and the FM 646 to the south. Bishops Bridge also connects South Shore Boulevard to Village Way, which provides access to elementary, intermediate, and high schools within the District. The Road Bonds will fund the extension of Madrid Lane from its current terminus to SH 646. This will provide access to the Coastal Point development within the District. The District will finance, design and construct the road system in phases as development progresses. The road system will ultimately be owned, operated and maintained by the City as the phases are constructed and accepted by the City. The District does not intend to maintain or operate the roads once they are accepted by the City.

THE PARK SYSTEM

The parks master plan contains approximately two miles of landscaped reserves and trails. It also includes an amenity center which includes playground equipment and open play areas. All of these will be owned by the District. The amenity center also includes a pool, splash pad and building which will be owned by the Hidden Lakes Homeowners Association.

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General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements, and in the case of the nine months ended March 31, 2018, the District's bookkeeping records. Reference is made to such statements for further and more complete information. See "APPENDIX A."

	Fiscal Year Ended				
	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
REVENUES					
Property taxes	$ 411,660	$ 485,312(a)	$ 851,979	$ 644,965	$ 169,846
Penalty and Interest	-	-	-	34,085	1,410
Miscellaneous	-	-	-	10	20
Investment income	2,986	2,266	2,608	542	424
TOTAL REVENUES	$ 414,646	$ 487,578	$ 854,587	$ 679,602	$ 171,700
EXPENDITURES					
Professional fees	$ 132,377	$ 265,960	$ 141,118	$ 144,206	$ 237,879
Contracted services	11,438	11,700	10,862	14,631	30,859
Administrative expenditures	14,470	16,827	4,886	433	960
Repairs and Maintenance	110,847	126,946(b)	16,115	16,234	17,594
Other	504	1,774	393	7,141	-
Capital Outlay	-	425,753	-	-	-
Developer Interest	-	348,270	-	-	-
TOTAL EXPENDITURES	$ 269,636	$1,197,230	$ 173,374	$ 182,645	$ 287,292
Excess Revenues (Expenditures)	$ 145,010	$ (709,652)	$ 681,213	$ 496,957	$ (115,592)
Other Sources (Uses)	$ 48,738	$ 16,824	$ -	$ -	$ -
Balance, Beg of Year	$ 678,561	$1,371,389	$ 690,176	$ 193,219	$ 308,811
Balance, End of Year	$ 872,309	$ 678,561	$1,371,389	$ 690,176	$ 193,219

(a) Decrease due to a reduction in the District's maintenance tax levy.
(b) Increase due to mowing expenses for the District's detention facilities.

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

Principal Landowners/Developers: There is no commitment by or legal requirement of the principal landowners/developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNERS/DEVELOPERS" and "TAX DATA – Principal Taxpayers."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2018 Certified Taxable Assessed Valuation of property located within the District (see "TAX DATA") is $278,119,369,the 2019 Preliminary Assessed Valuation is $310,106,903 and the Estimated Taxable Valuation as of March 1, 2019 is $326,884,952. After issuance of the Bonds, the maximum annual debt service requirement will be $2,370,238 (2040) and the average annual debt service requirements will be $2,274,919 (2019-2045). Assuming no increase to nor decrease from the 2018 Certified Taxable Assessed Valuation, tax rates of $0.90 and $0.87 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the 2019 Preliminary Assessed Valuation, tax rates of $0.81 and $0.78 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively. Assuming no increase to nor decrease from the Estimated Taxable Valuation as of March 1, 2019 tax rates of $0.77 and $0.74 per $100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirements, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. The District levied a maintenance tax of $0.22 per $100 of assessed valuation, a system debt service tax rate of $0.61 and a road debt service tax rate of $0.10 per $100 of assessed valuation for 2018.

Competitive Nature of Houston Residential Housing Market

The housing industry in the Houston area is very competitive, but the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilders listed herein and any other developer or home builder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Risk of Hurricane Loss

The District is located in the Texas Coastal Plain, and if a hurricane (or any other natural disaster) destroyed all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. There can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

The Houston area, including Galveston County, sustained widespread flooding as a result of Hurricane Harvey's landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. The District is located approximately 20 miles from the Texas Gulf Coast and less than two miles from Galveston Bay. Land located in this area is susceptible to high winds, heavy rain, and flooding caused by hurricanes, tropical storms, and other tropical disturbances.

According to the District's engineer, the District's system did not sustain any material damage from Hurricane Harvey and there was no interruption of water and sewer service during or after the storm. According to the District's Board of Directors, approximately 30 homes flooded in Hidden Lakes, Section One.

Hurricane Harvey could have an adverse impact on the Houston region's economy, including business activity and development in the region. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of taxable improvements within the District

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. Except for mandamus, the Bond Resolutions do 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Marketability

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

Future Debt

The District has the right to issue the remaining $62,300,000 authorized but unissued unlimited tax bonds for waterworks, wastewater and drainage facilities, the $61,000,000 authorized but unissued unlimited tax refunding bonds, and $3,560,000 authorized but unissued unlimited tax bonds for park and recreational improvements remaining after the issuance of the Bonds (see "THE BONDS - Issuance of Additional Debt"), and such additional bonds as may hereafter be approved by both the Board and voters of the District. The issuance of such unlimited tax bonds for water, sewer and drainage purposes and park and recreational improvements are also subject to approval by the TCEQ. After the issuance of the Road Bonds, there will be no authorized but unissued unlimited tax bonds for road improvements. The District also has the right to issue certain other additional bonds, revenue bonds, special project bonds, and other obligations described in the Bond Resolutions.

After the issuance of the Bonds, the District will owe the Developers approximately $9,745,000 for the existing facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS – Issuance of Additional Debt."

The District's Engineer estimates that the aforementioned $62,3000,000 authorized unlimited tax bonds which remain unissued will be adequate to finance the construction of all water, wastewater and drainage facilities to provide service to all of the currently undeveloped portions of the District.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality (the "TCEQ") may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under 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, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in South Coast Air Quality Management District v. EPA, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ 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, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain 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. In order to maintain MS4 Permit compliance, the District is partnering with the city of League City (the "City"), to participate in the City's program to develop, implement, and maintain the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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 took 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.

Bond Insurance

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

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

Changes in Tax Legislation

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

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect and to the effect that, under existing law, (i) interest on the Bonds is excludable from gross income for federal tax purposes, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS (except for information under the subheading "- Book-Entry-Only System"), "THE DISTRICT - Authority," "TAXING PROCEDURES," "UTILITY SERVICE AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY," "LEGAL MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and 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 has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with 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-Litigation Certificate

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

No Material Adverse Change

The obligations of the 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 subsequent to the date of sale from that set forth or contemplated in the Official Statement, as it may have been supplemented or amended through the date of sale.

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

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, 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 Resolutions that is will comply with these requirements.

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

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

Not Qualified Tax-Exempt Obligations

The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except Estimated Direct and Overlapping Debt Statement), "TAX DATA," and "APPENDIX A." The District will update and provide this information 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 accounting principles 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 June 30. Accordingly, it must provide updated information by December 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 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 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 SEC Rule 15c2-12 or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolutions 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 information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OFFICIAL STATEMENT

General

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

Experts

The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT - Description" and "THE SYSTEM" has been provided by Dannenbaum Engineering Corp. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Mr. Tommy Lee of Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon Mr. Lee's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of 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 in writing 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Galveston County Municipal Utility District No. 45 as of the date shown on the first page hereof.

/s/ ________________
President, Board of Directors
Galveston County Municipal Utility District No. 45

ATTEST:

/s/ ____________________
Secretary, Board of Directors
Galveston County Municipal Utility District No. 45

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 45

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

June 30, 2018

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McGRATH & CO., PLLC
Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
Galveston County Municipal Utility District No. 45
Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston County Municipal Utility District No. 45, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Galveston County Municipal Utility District No. 45, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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 opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Texas Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGrath & Co, PLLC

Houston, Texas
October 2, 2018

Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of Galveston County Municipal Utility District No. 45 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District's net position at June 30, 2018, was negative $21,496,681. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys to the City of League City. A comparative summary of the District's overall financial position, as of June 30, 2018 and 2017, is as follows:

	2018	2017
Current and other assets	$ 3,776,031	$ 2,825,539
Capital assets	12,286,069	9,946,572
Total assets	16,062,100	12,772,111
Current liabilities	840,274	486,203
Long-term liabilities	36,718,507	31,839,875
Total liabilities	37,558,781	32,326,078
Net position		
Net investment in capital assets	(3,015,074)	(1,897,224)
Restricted	1,827,875	1,197,804
Unrestricted	(20,309,482)	(18,854,547)
Total net position	$ (21,496,681)	$ (19,553,967)

The total net position of the District decreased during the current fiscal year by $1,942,714. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2018	2017
Revenues		
Property taxes, penalties and interest	$ 2,077,741	$ 1,583,004
Other	10,196	5,265
Total revenues	2,087,937	1,588,269
Expenses		
Operating and administrative	339,466	610,871
Debt interest and fees	880,842	582,728
Developer interest	583,347	2,538,813
Debt issuance costs	545,938	680,105
Depreciation and amortization	222,065	171,763
Total expenses	2,571,658	4,584,280
Change in net position before other item	(483,721)	(2,996,011)
Other item		
Change in estimate of due to developer		1,270,505
Transfers to other governments	(1,458,993)	(938,006)
Change in net position	(1,942,714)	(2,663,512)
Net position, beginning of year	(19,553,967)	(16,890,455)
Net position, end of year	$ (21,496,681)	$ (19,553,967)

Financial Analysis of the District's Funds

The District's combined fund balances, as of June 30, 2018, were $3,684,092, which consists of $872,309 in the General Fund, $2,084,764 in the Debt Service Fund, and $727,019 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of June 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 900,275	$ 762,337
Total liabilities	$ 19,412	$ 75,903
Total deferred inflows	8,554	7,873
Total fund balance	872,309	678,561
Total liabilities, deferred inflows and fund balance	$ 900,275	$ 762,337

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

	2018	2017
Total revenues	$ 414,646	$ 487,578
Total expenditures	(269,636)	(1,197,230)
Revenues over/(under) expenditures	145,010	(709,652)
Other changes in fund balance	48,738	16,824
Net change in fund balance	$ 193,748	$ (692,828)

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of June 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 2,129,273	$ 1,456,604
Total liabilities	$ 3,880	$ 1,981
Total deferred inflows	40,629	21,335
Total fund balance	2,084,764	1,433,288
Total liabilities, deferred inflows and fund balance	$ 2,129,273	$ 1,456,604

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

	2018	2017
Total revenues	$ 1,652,269	$ 1,077,183
Total expenditures	(1,000,793)	(441,010)
Revenues over expenditures	651,476	636,173
Other changes in fund balance		152,888
Net change in fund balance	$ 651,476	$ 789,061

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of June 30, 2018 and 2017 is as follows:

	2018	2017
Total assets	$ 746,483	$ 606,598
Total liabilities	$ 19,464	$ 1,500
Total fund balance	727,019	605,098
Total liabilities and fund balance	$ 746,483	$ 606,598

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

	2018	2017
Total revenues	$ 1,047	$ 766
Total expenditures	(6,105,388)	(12,522,169)
Revenues under expenditures	(6,104,341)	(12,521,403)
Other changes in fund balance	6,226,262	12,404,186
Net change in fund balance	$ 121,921	$ (117,217)

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2018 Unlimited Tax Bond in the current year and the sale of its Series 2016 Unlimited Tax Bonds and Series 2017 Unlimited Tax Road Bonds in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $46,002 less than budgeted. The *Budgetary Comparison Schedule* on page 32 of this report provides variance information per financial statement line item.

Capital Assets

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

Capital assets held by the District at June 30, 2018 and 2017 are summarized as follows:

	2018	2017
Land and improvements	$ 7,077,225	$ 5,538,609
Capital assets being depreciated/amortized		
Infrastructure	2,431,858	2,431,858
Landscape improvements	3,106,139	2,167,703
Impact fees	336,612	252,102
	5,874,609	4,851,663
Less accumulated depreciation/amortization		
Infrastructure	(216,164)	(162,123)
Landscape improvements	(427,547)	(272,240)
Impact fees	(22,054)	(9,337)
	(665,765)	(443,700)
Depreciable capital assets, net	5,208,844	4,407,963
Capital assets, net	$ 12,286,069	$ 9,946,572

Capital asset additions during the current year include the following:

- Clearing and Grubbing of The Lakes of Quail Pointe
- Rough Cut Detention to Serve Coastal Point - Phase 1
- Hidden Lakes Section 7 Phase 1, Reserve C - 19.16 acres
- Hidden Lakes Section 7 Phase 2, Reserve B - 9.25 acres
- Hidden Lakes Section 10, Reserve C - 5.82 acres
- Reserve "B" Hidden Lakes Section 5 detention basin - 2.52 acres

- Capital recovery fees for Hidden Lakes Section 7
- Hidden Lakes Sections 7 - 10 – landscape and improvements

The District and the City of League City (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District. For the year ended June 30, 2018, capital assets in the amount of $1,458,993 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of June 30, 2018, the District owes $9,738,405 to developers for completed projects. As discussed in Note 6, the District has an additional commitment in the amount of $5,185,612 for projects under construction by the developers. As previously mentioned, the District will owe its developers for these projects upon completion of construction, at which time the capital assets and related liability will be recorded on the District's financial statements. The District intends to reimburse the developers from proceeds of future bond issues.

At June 30, 2018 and 2017, the District had total bonded debt outstanding as shown below:

Series	2018	2017
2015	$ 8,850,000	$ 9,000,000
2016	9,975,000	9,975,000
2017 Road	2,975,000	2,975,000
2018	6,275,000	
	$ 28,075,000	$ 21,950,000

During the year, the District issued $6,275,000 in unlimited tax bonds. At June 30, 2018, the District had $68,750,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $6,500,000 for parks and recreational facilities; $1,775,000 for road improvements; and $61,000,000 for refunding purposes.

Next Year's Budget

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

	2018 Actual	2019 Budget
Total revenues	$ 414,646	$ 404,354
Total expenditures	(269,636)	(251,000)
Revenues over expenditures	145,010	153,354
Other changes in fund balance	48,738	
Net change in fund balance	193,748	153,354
Beginning fund balance	678,561	872,309
Ending fund balance	$ 872,309	$ 1,025,663

Property Taxes

The District's property tax base increased approximately $56,474,000 for the 2018 tax year from $217,053,659 to $273,527,889. This increase was primarily due to new construction in the District. For the 2018 tax year, the District has levied a maintenance tax rate of $0.22 per $100 of assessed value, a debt service tax rate of $0.61 per $100 of assessed value, and a road debt service tax rate of $0.10 per $100 of assessed value for a total combined tax rate of $0.93 per $100. Tax rates for the 2017 tax year were $0.19 per $100 for maintenance and operations, $0.69 per $100 for debt service, and $0.07 per $100 for road debt service.

Basic Financial Statements

Galveston County Municipal Utility District No. 45
Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$108,776	$ 63,256	$446,404	$ 618,436	$ -	$ 618,436
Investments	780,204	2,025,468	300,079	3,105,751		3,105,751
Taxes receivable	8,554	40,629		49,183		49,183
Internal balance	1,116	(1,116)				
Prepaid items	1,625			1,625		1,625
Other receivables		1,036		1,036		1,036
Capital assets not being depreciated					7,077,225	7,077,225
Capital assets, net					5,208,844	5,208,844
Total Assets	$900,275	$2,129,273	$746,483	$3,776,031	12,286,069	16,062,100
Liabilities						
Accounts payable	$ 18,769	$ -	$ 19,464	$ 38,233		38,233
Other payables	643	117		760		760
Accrued interest payable		3,763		3,763	297,518	301,281
Due to developers					9,738,405	9,738,405
Long-term debt						
Due within one year					500,000	500,000
Due after one year					26,980,102	26,980,102
Total Liabilities	19,412	3,880	19,464	42,756	37,516,025	37,558,781
Deferred Inflows of Resources						
Deferred property taxes	8,554	40,629		49,183	(49,183)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	1,625			1,625	(1,625)	
Restricted		2,084,764	727,019	2,811,783	(2,811,783)	
Unassigned	870,684			870,684	(870,684)	
Total Fund Balances	872,309	2,084,764	727,019	3,684,092	(3,684,092)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$900,275	$2,129,273	$746,483	$3,776,031		
Net Position						
Net investment in capital assets					(3,015,074)	(3,015,074)
Restricted for debt service					1,827,875	1,827,875
Unrestricted					(20,309,482)	(20,309,482)
Total Net Position					$(21,496,681)	$(21,496,681)

See notes to basic financial statements.

Galveston County Municipal Utility District No. 45
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 411,660	$1,632,780	$ -	$ 2,044,440	$ 17,370	$ 2,061,810
Penalties and interest		13,326		13,326	2,605	15,931
Investment earnings	2,986	6,163	1,047	10,196		10,196
Total Revenues	414,646	1,652,269	1,047	2,067,962	19,975	2,087,937
Expenditures/Expenses						
Operating and administrative						
Professional fees	132,377		37,501	169,878		169,878
Contracted services	11,438	29,327		40,765		40,765
Repairs and maintenance	110,847			110,847		110,847
Administrative	14,470	2,570		17,040		17,040
Other	504		432	936		936
Capital outlay			4,938,170	4,938,170	(4,938,170)	
Debt service						
Principal		150,000		150,000	(150,000)	
Interest and fees		818,896		818,896	61,946	880,842
Developer interest			583,347	583,347		583,347
Debt issuance costs			545,938	545,938		545,938
Depreciation and amortization					222,065	222,065
Total Expenditures/Expenses	269,636	1,000,793	6,105,388	7,375,817	(4,804,159)	2,571,658
Revenues Over (Under) Expenditures/Expenses	145,010	651,476	(6,104,341)	(5,307,855)	4,824,134	(483,721)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			6,275,000	6,275,000	(6,275,000)	
Internal transfers	48,738		(48,738)			
Other Item						
Transfer to other governments					(1,458,993)	(1,458,993)
Net Change in Fund Balances	193,748	651,476	121,921	967,145	(967,145)	
Change in Net Position					(1,942,714)	(1,942,714)
Fund Balances/Net Position						
Beginning of the year	678,561	1,433,288	605,098	2,716,947	(22,270,914)	(19,553,967)
End of the year	$ 872,309	$2,084,764	$ 727,019	$ 3,684,092	$(25,180,773)	$(21,496,681)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Galveston County Municipal Utility District No. 45 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality dated October 21, 2004, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on December 8, 2004 and the first bonds were sold on October 15, 2015.

The District's primary activities include the construction of water, sewer, drainage and road facilities. As further discussed in Note 10, the District transfers these facilities to the City of League City upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At June 30, 2018, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

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

Depreciable capital assets, which primarily consist of drainage facilities, landscape improvements and impact fees are depreciated or amortized using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Landscape Improvements	20 years
Impact fees	Remaining life of contract

The District's detention facilities and drainage channels are considered improvements to land and are non-depreciable.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balances, governmental funds		$ 3,684,092
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
Historical cost	$ 12,951,834	
Less accumulated depreciation/amortization	(665,765)	
Change due to capital assets		12,286,069
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(27,480,102)	
Interest payable on bonds	(297,518)	
Change due to long-term debt		(27,777,620)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Position.*		(9,738,405)
Property taxes receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		49,183
Total net position - governmental activities		$ (21,496,681)

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

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

Net change in fund balances - total governmental funds		$ 967,145
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and penalties and interest.		19,975
Governmental funds report capital outlays for developer(s) reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities,* the cost of capital assets is charged to expense over the estimated useful life of the asset.		
Capital outlays	$ 4,938,170	
Depreciation and amortization expense	(222,065)	
		4,716,105
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the funds and government wide statements.		
Issuance of long term debt	(6,275,000)	
Principal payments	150,000	
Interest and fees	(61,946)	
		(6,186,946)
The District conveys certain infrastructure to the City of League City upon completion of construction. Since these improvements are funded by the developer(s), financial resources are not expended in the fund financial statements; however, in the *Statement of Activities,* these amounts are reported as transfers to other governments.		(1,458,993)
Change in net position of governmental activities		$ (1,942,714)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Note 3 – Deposits and Investments (continued)

Investments (continued)

As of June 30, 2018, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
Certificates of deposit	Debt Service	$ 240,000	7.73%	N/A	N/A
TexSTAR	General	780,204			
	Debt Service	1,785,468			
	Capital Projects	300,079			
		2,865,751	92.27%	AAA	22 days
Total		$3,105,751	100.00%		

The District's investments in certificates of deposit are reported at cost.

TexSTAR

The District participates in Texas Short Term Asset Reserve fund (TexSTAR) which is managed by First Southwest, a division of Hilltop Securities, Inc., and J.P. Morgan Investment Management, Inc. First Southwest provides participant and marketing services while J.P. Morgan provides investment management services. Custodial and depository services are provided by J.P. Morgan Chase Bank N.A. or its subsidiary.

The District's investment in TexSTAR is reported at fair value because TexSTAR uses fair value to report investments. Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs. The District's investment in TexSTAR is measured using published fair value per share (level 1 inputs).

Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at June 30, 2018, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 1,116	Maintenance tax collections not remitted as of year end

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

A summary of internal transfers for the current fiscal year is as follows:

Transfers Out	Transfers In	Amounts	Purpose
Capital Projects Fund	General Fund	$ 48,738	Reimbursement of bond application fees paid by General Fund

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended June 30, 2018, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Land and improvements	$ 5,538,609	$ 1,538,616	$ 7,077,225
Capital assets being depreciated/amortized			
Infrastructure	2,431,858		2,431,858
Landscape improvements	2,167,703	938,436	3,106,139
Impact fees	252,102	84,510	336,612
	4,851,663	1,022,946	5,874,609
Less accumulated depreciation/amortization			
Infrastructure	(162,123)	(54,041)	(216,164)
Landscape improvements	(272,240)	(155,307)	(427,547)
Impact fees	(9,337)	(12,717)	(22,054)
	(443,700)	(222,065)	(665,765)
Subtotal depreciable capital assets, net	4,407,963	800,881	5,208,844
Capital assets, net	$ 9,946,572	$ 2,339,497	$12,286,069

Depreciation and amortization expense for the current year was $222,065.

Note 6 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete.

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

Due to developers, beginning of year	$ 10,656,020
Developer funded construction and adjustments	4,020,555
Developer reimbursements	(4,938,170)
Due to developers, end of year	$ 9,738,405

The following are the estimated amounts due to developers, by the developer, at year end:

Due to Hidden Lakes Development Partners LP	$ 8,914,542
Due to King Development Services	154,553
Due to League City 210 Development Partners LP	281,642
Due to Sam Boyd Development	268,923
Due to SH96 South Shore	85,562
Due to United Development Funding, L.P.	33,183
Total due to developers	$ 9,738,405

In addition, the District will owe the developers approximately $5,185,612, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Coastal Point Section 1 and 2 - water, sewer and drainage	$ 1,663,932	$ 1,327,505	$ 336,426
Coastal Point Section 3 - water, sewer and drainage	828,201	228,502	599,700
Paving to serve Madrid Lane	550,680	56,828	493,851
Sanitary sewer lift station to serve Coastal Point	472,545		472,545
Drainage facilities to serve Lakes at Quail Pointe	990,729	712,241	278,487
8-inch Sanitary Sewer Force Main to Serve Coastal	679,527		679,527
	$ 5,185,612	$ 2,325,076	$ 2,860,536

Note 7 – Long–Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 28,075,000
Unamortized discounts	(594,898)
	$ 27,480,102
Due within one year	$ 500,000

The District's bonds payable at June 30, 2018, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015	$ 8,850,000	$9,000,000	3.00% - 4.125%	September 1, 2017/2045	September 1, March 1	September 1, 2023
2016	9,975,000	9,975,000	4.00% - 4.33%	September 1, 2018/2046	September 1, March 1	September 1, 2024
2017 Road	2,975,000	2,975,000	2.00% - 3.875%	September 1, 2019/2045	September 1, March 1	September 1, 2024
2018	6,275,000	6,275,000	3.00% - 4.00%	September 1, 2018/2045	September 1, March 1	September 1, 2023
	$ 28,075,000					

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

At June 30, 2018, the District had authorized but unissued bonds in the amount of $68,750,000 for water, sewer and drainage facilities; $6,500,000 for park and recreational facilities; $1,775,000 for road improvements; and $61,000,000 for refunding purposes.

On June 7, 2018, the District issued its $6,275,000 Series 2018 Unlimited Tax Bonds at a net effective interest rate of 3.782230%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District; engineering, clearing and grubbing, and other costs associated with the construction of capital assets; the acquisition of land for certain District facilities and (2) to pay developer interest at the net effective interest rate of the bonds.

Note 7 – Long–Term Debt

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

Bonds payable, beginning of year	$	21,950,000
Bonds issued		6,275,000
Bonds retired		(150,000)
Bonds payable, end of year	$	28,075,000

As of June 30, 2018, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2019	$ 500,000	$ 1,003,318	$ 1,503,318
2020	595,000	1,040,069	1,635,069
2021	620,000	1,018,719	1,638,719
2022	640,000	996,594	1,636,594
2023	665,000	973,694	1,638,694
2024	690,000	949,594	1,639,594
2025	715,000	924,269	1,639,269
2026	745,000	898,794	1,643,794
2027	770,000	872,882	1,642,882
2028	800,000	845,360	1,645,360
2029	830,000	816,257	1,646,257
2030	860,000	785,657	1,645,657
2031	895,000	753,198	1,648,198
2032	935,000	718,907	1,653,907
2033	970,000	682,969	1,652,969
2034	1,010,000	645,348	1,655,348
2035	1,050,000	606,001	1,656,001
2036	1,095,000	564,814	1,659,814
2037	1,140,000	521,757	1,661,757
2038	1,185,000	476,478	1,661,478
2039	1,230,000	429,029	1,659,029
2040	1,280,000	379,441	1,659,441
2041	1,330,000	327,613	1,657,613
2042	1,385,000	273,716	1,658,716
2043	1,445,000	217,250	1,662,250
2044	1,505,000	158,096	1,663,096
2045	1,560,000	96,642	1,656,642
2046	1,630,000	32,682	1,662,682
	$ 28,075,000	$ 18,009,146	$ 46,084,146

Note 8 – Property Taxes

On November 7, 2006, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. Additionally, on May 7, 2016, the voters authorized an additional tax levy for use in road improvements limited to $0.25 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2018 fiscal year was financed through the 2017 tax levy, pursuant to which the District levied property taxes of $0.95 per $100 of assessed value, of which $0.19 was allocated to maintenance and operations, $0.69 was allocated to debt service and $0.07 was allocated to road debt service. The resulting tax levy was $2,062,010 on the adjusted taxable value of $217,053,659.

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of League City (the "City"), the District transfers all of its water, sewer, and storm drainage facilities (excluding detention facilities) to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. For the year ended June 30, 2018, the total amount of projects completed and transferred to the City was $1,458,993.

Note 10 – Utility Agreement with the City of League City

On December 3, 2003, the District entered into a utility agreement with the City of League City (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems and storm drainage facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system to the City. The term of the agreement is 40 years.

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

Note 11 – Risk Management

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

Required Supplementary Information

Galveston County Municipal Utility District No. 45
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 488,000	$ 411,660	$ (76,340)
Investment earnings	1,500	2,986	1,486
Total Revenues	489,500	414,646	(74,854)
Expenditures			
Operating and administrative			
Professional fees	87,500	132,377	(44,877)
Contracted services	12,000	11,438	562
Repairs and maintenance	130,000	110,847	19,153
Administrative	19,250	14,470	4,780
Other	1,000	504	496
Total Expenditures	249,750	269,636	(19,886)
Revenues Over Expenditures	239,750	145,010	(94,740)
Other Financing Sources			
Internal transfers		48,738	48,738
Net Change in Fund Balance	239,750	193,748	(46,002)
Fund Balance			
Beginning of the year	678,561	678,561	
End of the year	$ 918,311	$ 872,309	$ (46,002)

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Galveston County Municipal Utility District No. 45
TSI-1. Services and Rates
June 30, 2018

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

☐ Retail Water	☐ Wholesale Water	☐ Solid Waste/Garbage	☒ Drainage
☐ Retail Wastewater	☐ Wholesale Wastewater	☐ Flood Control	☐ Irrigation
☐ Parks / Recreation	☐ Fire Protection	☒ Roads	☐ Security

☐ Participates in joint venture, regional system and/or wastewater service (other than emergency interconn

☒ Other (Specify): Water and sewer services provided by the City of League City

2. Retail Service Providers N/A
(You may omit this information if your district does not provide retail services)

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

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

District employs winter averaging for wastewater usage ☐ Yes ☐ No

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

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
   (You may omit this information if your district does not provide water)

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

4. Standby Fees (authorized only under TWC Section 49.231):
   (You may omit this information if your district does not levy standby fees)

   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: ____________________

5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted):

   Is the District located entirely within one county? Yes [X] No [ ]

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

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

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

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

   Entirely [ ] Partly [ ] Not at all [X]

   ETJs in which the District is located: ____________________

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

   If Yes, by whom? ____________________

See accompanying auditors' report.

Galveston County Municipal Utility District No. 45
TSI-2 General Fund Expenditures
For the Year Ended June 30, 2018

Professional fees	
Legal	$ 66,556
Audit	9,500
Engineering	56,321
	132,377
Contracted services	
Bookkeeping	11,438
Repairs and maintenance	110,847
Administrative	
Directors fees	7,650
Printing and office supplies	1,819
Insurance	3,650
Other	1,351
	14,470
Other	504
Total expenditures	$ 269,636

Reporting of Utility Services in Accordance with HB 3693:

	Usage	Cost
Electrical	N/A	N/A
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Galveston County Municipal Utility District No. 45
TSI-3. Investments
June 30, 2018

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General					
TexSTAR	0841222220	Variable	N/A	$ 780,204	$ -
Debt Service					
TexSTAR	0841233330	Variable	N/A	1,565,410	
TexSTAR	0841233331	Variable	N/A	220,058	
Certificate of deposit	0123046716	1.84%	10/2/2018	240,000	1,036
				2,025,468	1,036
Capital Projects					
TexSTAR	0841244440	Variable	N/A	300,079	
Total - All Funds				$ 3,105,751	$ 1,036

See accompanying auditors' report.

Galveston County Municipal Utility District No. 45
TSI-4. Taxes Levied and Receivable
June 30, 2018

	Maintenance Taxes	Debt Service Taxes	Road Service Taxes	Total
Taxes Receivable, Beginning of Year	$ 7,873	$ 17,526	$ -	$ 25,399
Adjustments	(62)	(139)		(201)
Adjusted Receivable	7,811	17,387		25,198
2017 Original Tax Levy	392,962	1,427,074	144,776	1,964,812
Adjustments	19,440	70,596	7,162	97,198
Adjusted Tax Levy	412,402	1,497,670	151,938	2,062,010
Total to be accounted for	420,213	1,515,057	151,938	2,087,208
Tax collections:				
Current year	403,848	1,466,607	148,787	2,019,242
Prior years	7,811	17,387		25,198
Total Collections	411,659	1,483,994	148,787	2,044,440
Taxes Receivable, End of Year	$ 8,554	$ 31,063	$ 3,151	$ 42,768
Taxes Receivable, By Years				
2017	$ 8,554	$ 31,063	$ 3,151	$ 42,768

	2017	2016	2015	2014
Property Valuations:				
Land	$ 74,660,030	$ 66,564,385	$ 51,178,550	$ 38,175,190
Improvements	183,303,960	130,991,020	87,441,070	56,307,630
Personal Property	11,770,934	9,332,962	5,602,256	737,677
Exemptions	(52,681,265)	(49,690,679)	(49,202,582)	(47,799,884)
Total Property Valuations	$ 217,053,659	$ 157,197,688	$ 95,019,294	$ 47,420,613
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.19	$ 0.31	$ 0.90	$ 1.00
W-S-D debt service tax rates	0.69	0.69	0.10	
Road debt service tax rates	0.07			
Total Tax Rates per $100 Valuation	$ 0.95	$ 1.00	$ 1.00	$ 1.00
Adjusted Tax Levy:	$ 2,062,010	$ 1,571,977	$ 950,193	$ 474,206
Percentage of Taxes Collected to Taxes Levied **	97.93%	100.00%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 7, 2006

* Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on May 7, 2016

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

See accompanying auditors' report.

Galveston County Municipal Utility District No. 45
TSI-5 Long-Term Debt Service Requirements
Series 2015--by Years
June 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	$ 155,000	$ 334,775	$ 489,775
2020	165,000	329,975	494,975
2021	175,000	324,875	499,875
2022	180,000	319,550	499,550
2023	190,000	314,000	504,000
2024	200,000	308,150	508,150
2025	210,000	302,000	512,000
2026	220,000	295,550	515,550
2027	230,000	288,513	518,513
2028	240,000	280,575	520,575
2029	250,000	271,844	521,844
2030	265,000	262,344	527,344
2031	275,000	251,875	526,875
2032	290,000	240,575	530,575
2033	300,000	228,775	528,775
2034	315,000	216,475	531,475
2035	330,000	203,575	533,575
2036	345,000	190,075	535,075
2037	365,000	175,875	540,875
2038	380,000	160,975	540,975
2039	400,000	145,375	545,375
2040	415,000	129,075	544,075
2041	435,000	112,075	547,075
2042	460,000	94,175	554,175
2043	480,000	75,075	555,075
2044	505,000	54,759	559,759
2045	525,000	33,516	558,516
2046	550,000	11,344	561,344
	$ 8,850,000	$ 5,955,745	$ 14,805,745

See accompanying auditors' report.

Galveston County Municipal Utility District No. 45
TSI-5 Long-Term Debt Service Requirements
Series 2016--by Years
June 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	$ 245,000	$ 399,263	$ 644,263
2020	250,000	389,363	639,363
2021	250,000	379,363	629,363
2022	260,000	369,163	629,163
2023	265,000	358,663	623,663
2024	270,000	347,963	617,963
2025	280,000	336,963	616,963
2026	285,000	325,663	610,663
2027	295,000	314,063	609,063
2028	300,000	302,163	602,163
2029	310,000	289,963	599,963
2030	315,000	277,463	592,463
2031	330,000	264,563	594,563
2032	335,000	251,263	586,263
2033	350,000	237,563	587,563
2034	360,000	223,363	583,363
2035	370,000	208,763	578,763
2036	385,000	193,663	578,663
2037	390,000	178,163	568,163
2038	405,000	162,009	567,009
2039	415,000	145,097	560,097
2040	435,000	127,566	562,566
2041	445,000	109,416	554,416
2042	455,000	90,853	545,853
2043	470,000	71,775	541,775
2044	485,000	52,078	537,078
2045	500,000	31,763	531,763
2046	520,000	10,725	530,725
	$ 9,975,000	$ 6,448,679	$ 16,423,679

See accompanying auditors' report.

Galveston County Municipal Utility District No. 45
TSI-5 Long-Term Debt Service Requirements
Series 2017 Road--by Years
June 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	$ -	$ 101,925	$ 101,925
2020	60,000	101,325	161,325
2021	65,000	100,075	165,075
2022	65,000	98,775	163,775
2023	70,000	97,425	167,425
2024	70,000	95,675	165,675
2025	75,000	93,500	168,500
2026	80,000	91,175	171,175
2027	80,000	88,775	168,775
2028	85,000	86,300	171,300
2029	90,000	83,675	173,675
2030	90,000	80,975	170,975
2031	95,000	78,141	173,141
2032	100,000	75,031	175,031
2033	105,000	71,634	176,634
2034	110,000	67,938	177,938
2035	115,000	64,000	179,000
2036	120,000	59,813	179,813
2037	125,000	55,294	180,294
2038	130,000	50,513	180,513
2039	135,000	45,544	180,544
2040	140,000	40,300	180,300
2041	145,000	34,778	179,778
2042	150,000	29,063	179,063
2043	160,000	23,056	183,056
2044	165,000	16,759	181,759
2045	170,000	10,269	180,269
2046	180,000	3,488	183,488
	$ 2,975,000	$ 1,845,219	$ 4,820,219

See accompanying auditors' report.

Galveston County Municipal Utility District No. 45
TSI-5 Long-Term Debt Service Requirements
Series 2018--by Years
June 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	$ 100,000	$ 167,355	$ 267,355
2020	120,000	219,406	339,406
2021	130,000	214,406	344,406
2022	135,000	209,106	344,106
2023	140,000	203,606	343,606
2024	150,000	197,806	347,806
2025	150,000	191,806	341,806
2026	160,000	186,406	346,406
2027	165,000	181,531	346,531
2028	175,000	176,322	351,322
2029	180,000	170,775	350,775
2030	190,000	164,875	354,875
2031	195,000	158,619	353,619
2032	210,000	152,038	362,038
2033	215,000	144,997	359,997
2034	225,000	137,572	362,572
2035	235,000	129,663	364,663
2036	245,000	121,263	366,263
2037	260,000	112,425	372,425
2038	270,000	102,981	372,981
2039	280,000	93,013	373,013
2040	290,000	82,500	372,500
2041	305,000	71,344	376,344
2042	320,000	59,625	379,625
2043	335,000	47,344	382,344
2044	350,000	34,500	384,500
2045	365,000	21,094	386,094
2046	380,000	7,125	387,125
	$ 6,275,000	$ 3,759,503	$ 10,034,503

See accompanying auditors' report.

Galveston County Municipal Utility District No. 45
TSI-5 Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
June 30, 2018

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2019	$ 500,000	$ 1,003,318	$ 1,503,318
2020	595,000	1,040,069	1,635,069
2021	620,000	1,018,719	1,638,719
2022	640,000	996,594	1,636,594
2023	665,000	973,694	1,638,694
2024	690,000	949,594	1,639,594
2025	715,000	924,269	1,639,269
2026	745,000	898,794	1,643,794
2027	770,000	872,882	1,642,882
2028	800,000	845,360	1,645,360
2029	830,000	816,257	1,646,257
2030	860,000	785,657	1,645,657
2031	895,000	753,198	1,648,198
2032	935,000	718,907	1,653,907
2033	970,000	682,969	1,652,969
2034	1,010,000	645,348	1,655,348
2035	1,050,000	606,001	1,656,001
2036	1,095,000	564,814	1,659,814
2037	1,140,000	521,757	1,661,757
2038	1,185,000	476,478	1,661,478
2039	1,230,000	429,029	1,659,029
2040	1,280,000	379,441	1,659,441
2041	1,330,000	327,613	1,657,613
2042	1,385,000	273,716	1,658,716
2043	1,445,000	217,250	1,662,250
2044	1,505,000	158,096	1,663,096
2045	1,560,000	96,642	1,656,642
2046	1,630,000	32,682	1,662,682
	$ 28,075,000	$ 18,009,146	$ 46,084,146

See accompanying auditors' report.

Galveston County Municipal Utility District No. 45
TSI-6. Change in Long-Term Bonded Debt
June 30, 2018

	Bond Issue				
	Series 2015	Series 2016	Series 2017 Road	Series 2018	Totals
Interest rate	3.00% - 4.125%	4.00% - 4.33%	2.00% - 3.875%	3.00% - 4.00%	
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity dates	9/1/17 - 9/1/45	9/1/18 - 9/1/45	9/1/19 - 9/1/45	9/1/18 - 9/1/45	
Beginning bonds outstanding	$ 9,000,000	$ 9,975,000	$ 2,975,000	$ -	$21,950,000
Bonds issued				6,275,000	6,275,000
Bonds retired	(150,000)				(150,000)
Ending bonds outstanding	$ 8,850,000	$ 9,975,000	$ 2,975,000	$ 6,275,000	$28,075,000
Interest paid during fiscal year	$ 339,350	$ 404,163	$ 76,444	$ -	$ 819,957

Paying agent's name and city
All Series — Amegy Bank, N.A., Houston, TX

Bond Authority:	Water, Sewer and Drainage Bonds	Park and Recreational Bonds	Road Bonds	Refunding Bonds
Amount Authorized by Voters	$ 94,000,000	$ 6,500,000	$ 4,750,000	$ 61,000,000
Amount Issued	(25,250,000)		(2,975,000)	
Remaining To Be Issued	$ 68,750,000	$ 6,500,000	$ 1,775,000	$ 61,000,000

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

Debt Service Fund cash and investments balances as of June 30, 2018: $ 2,088,724

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 1,645,862

See accompanying auditors' report.

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Galveston County Municipal Utility District No. 45
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2018	2017	2016	2015	2014
Revenues					
Property taxes	$ 411,660	$ 485,312	$ 851,979	$ 644,965	$ 169,846
Penalties and interest				34,085	1,410
Miscellaneous				10	20
Investment earnings	2,986	2,266	2,608	542	424
Total Revenues	414,646	487,578	854,587	679,602	171,700
Expenditures					
Operating and administrative					
Professional fees	132,377	265,960	141,118	144,206	237,879
Contracted services	11,438	11,700	10,862	14,631	30,859
Repairs and maintenance	110,847	126,946	4,886	433	960
Administrative	14,470	16,827	16,115	16,234	17,594
Other	504	1,774	393	7,141	
Capital outlay		425,753			
Developer interest		348,270			
Total Expenditures	269,636	1,197,230	173,374	182,645	287,292
Revenues Over (Under) Expenditures	$ 145,010	$ (709,652)	$ 681,213	$ 496,957	$ (115,592)

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2018	2017	2016	2015	2014
99%	100%	100%	95%	99%
			5%	1%
			*	*
1%	*	*	*	*
100%	100%	100%	100%	100%
32%	55%	17%	21%	139%
3%	2%	1%	2%	18%
27%	26%	1%	*	1%
3%	3%	2%	2%	10%
*	*	*	1%	
	87%			
	71%			
65%	244%	21%	26%	168%
35%	(144%)	79%	74%	(68%)

Galveston County Municipal Utility District No. 45
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Three Fiscal Years

	Amounts		
	2018	2017	2016
Revenues			
Property taxes	$1,632,780	$1,067,936	$ 94,383
Penalties and interest	13,326	7,014	13,931
Investment earnings	6,163	2,233	863
Total Revenues	1,652,269	1,077,183	109,177
Expenditures			
Tax collection services	31,897	21,533	19,101
Debt service			
Principal	150,000		
Interest and fees	818,896	419,477	129,049
Total Expenditures	1,000,793	441,010	148,150
Revenues Over/(Under) Expenditures	$ 651,476	$ 636,173	$ (38,973)

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues		
2018	2017	2016
99%	99%	86%
1%	1%	13%
*	*	1%
100%	100%	100%
2%	2%	17%
9%		
50%	39%	118%
61%	41%	135%
39%	59%	(35%)

Galveston County Municipal Utility District No. 45
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended June 30, 2018

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 5, 2018
Limit on Fees of Office that a Director may receive during a fiscal year:	$ 7,200

(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Cheryl Leonard	5/18 to 5/22	$ 1,500	$ -	President
Kevin Moore	5/16 to 5/20	1,350		Vice President
Linda Duryea	5/18 to 5/22	1,650		Secretary
Maurice Heimlich	3/18 to 5/20	900		Assistant Secretary
Linda Landrum	5/18 to 5/22	1,650		Assistant Vice President
Katrina Cox	5/16 to 3/18	600		Former Director
Consultants		Paid		
Allen Boone Humphries Robinson LLP	2004			Attorney
General legal fees		$ 69,214		
Bond counsel		165,723		
Myrtle Cruz, Inc.	2005	15,967		Bookkeeper
Assessments of the Southwest, Inc.	2005	7,862		Tax Collector
Galveston Central Appraisal District	Legislation	15,349		Property Valuation
Perdue, Brandon, Fielder, Collins, & Mott, LLP	2005	6,116		Delinquent Tax Attorney
Dannenbaum Engineering Corp.	2005	139,478		Engineer
McGrath & Co., PLLC	Annual	19,500		Auditor
Robert W. Baird & Co. Incorporated	2015	129,029		Financial Advisor

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

See accompanying auditors' report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100