OFFICIAL STATEMENT

DATED JULY 29, 2020

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry-Only

Rating: Insured/Uninsured
Standard & Poor's "AA"/"A-"
See "MUNICIPAL BOND RATING" AND "MUNICIPAL BOND INSURANCE" herein.

$4,245,000
BACLIFF MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Galveston County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2020

The bonds described above (the "Bonds") are obligations solely of Bacliff Municipal Utility District (the "District") and are not obligations of the State of Texas, Galveston County, the City of League City, the City of Texas City, or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

Dated Date: July 15, 2020 **Due: March 1, as shown below**
Interest Accrues from Delivery Date (August 27, 2020)

The $4,245,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds") will be issued in part as current interest bonds (the "Current Interest Bonds") and in part as premium capital appreciation bonds (the "Premium Capital Appreciation Bonds"), as shown on Page 2 hereof. Interest on the Current Interest Bonds will accrue from the delivery date (the "Delivery Date ") to the Underwriter (defined herein) and will be payable on March 1 and September 1 of each year commencing March 1, 2021, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Premium Capital Appreciation Bonds will accrete from the Delivery Date and such interest will compound semiannually on March 1 and September 1 of each year beginning September 1, 2020 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of and compounded interest on the Premium Capital Appreciation Bonds (the "Maturity Amount") is payable at maturity. The Current Interest Bonds will be issued as fully registered obligations in the denominations of $5,000 of principal amount or any integral multiple thereof for any one stated maturity, and the Premium Capital Appreciation Bonds will be issued in integral multiples of $5,000 of Maturity Amount. The initial Paying Agent/Registrar is UMB Bank, N.A., Houston, Texas (the "Paying Agent/Registrar").

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. See "THE BONDS — BOOK-ENTRY-ONLY SYSTEM".

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for th 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 as included as Appendix B to this Official Statement see "BOND INSURANCE".

MATURITY SCHEDULE, INTEREST RATES,
INITIAL REOFFERING YIELDS, AND CUSIP NUMBERS
See Schedules on page 2

The Bonds are offered for delivery when, as and if issued and received by the Underwriter (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinions of Baker Williams Matthiesen LLP, Houston, Texas, Bond Counsel, and Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Special Tax Counsel. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Counsel for the Underwriters.

SAMCO CAPITAL

MATURITY SCHEDULE

$4,120,000 Current Interest Bonds

Principal Amount	Maturity (September 1)	CUSIP Number [1]	Interest Rate	Initial Reoffering Yield [2]	Principal Amount	Maturity (September 1)	CUSIP Number [1]	Interest Rate	Initial Reoffering Yield [2]
$ 15,000	2021	056390EK9	3.000%	0.630%	$200,000	2033 [3] [5]	056390EX1	2.000%	1.860%
600,000	2022	056390EL7	3.000%	0.620%	205,000	2034[3] [5]	056390EY9	2.000%	1.930%
610,000	2023	056390EM5	3.000%	0.710%	210,000	2035[3]	056390EZ6	2.000%	2.000%
360,000	2024	056390EN3	3.000%	0.810%	215,000	2036[3]	056390FA0	2.000%	2.040%
375,000	2025	056390EP8	3.000%	0.940%	220,000	2037[3]	056390FB8	2.000%	2.080%
**	**	**	**	**					

$350,000 2.000% Term Bond Due September 1, 2028[3] Priced to Yield 1.340%[2] [5] - CUSIP #056390ES2[1]
$370,000 2.000% Term Bond Due September 1, 2030[3] Priced to Yield 1.520%[2][5] - CUSIP #056390EU7[1]
$390,000 2.000% Term Bond Due September 1, 2032[3] Priced to Yield 1.710%[2][5] - CUSIP #056390EW3[1]

(Interest to accrue from the Delivery Date)

$125,000 Premium Capital Appreciation Bonds

Original Principal Amount	Maturity [4]	Offering Price per $5,000 Maturity Amount	Yield to Maturity	Maturity Amount	CUSIP Number [1]
$ 125,000	9/1/2026	$ 4,653.00	1.200%	$ 175,000	056390EQ6

(Interest to accrete from the Delivery Date)

---

(1) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Service, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Associations and are included solely for the convenience of the Underwriters of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(2) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Interest accrues on the Current Interest Bonds from the Delivery Date.
(3) The Bonds maturing on or after September 1, 2027 are subject to redemption, at the option of the District, on September 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. In addition, the Bonds maturing on September 1, 2028, September 1, 2030 and September 1, 2032 (the"Term Bonds") are subject to mandatory sinking fund redemption prior to maturity at the price of par plus accrued interest to the redemption date. See "THE BONDS--Redemption Provisions."
(4) The Premium Capital Appreciation Bonds are not subject to redemption prior to maturity.
(5) Yield shown to first optional redemption date of September 1, 2026.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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 ST ATEMENT, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Baker Williams Matthiesen LLP, Bond Counsel, 5005 Woodway Drive, Suite 201, Houston, Texas 77056, for further 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. However, the District has agreed to keep this OFFICIAL STATEMENT current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this OFFICIAL STATEMENT until delivery of the Bonds to the Initial Underwriter (as herein defined) but thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT — UPDATING THE OFFICIAL STATEMENT."

SALE AND DISTRIBUTION OF THE BONDS

THE UNDERWRITERS

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the "Underwriter") pursuant to a bond purchase agreement with the District (the "Bond Purchase Agreement") at a price of $4,412,014.64 (representing the par amount of the Bonds of $4,245,000, less an Underwriters' discount of $38,609.06 plus a net original issue premium of $205,623.70). The Underwriter's obligation is subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Bonds, if any are purchased. See "PLAN OF FINANCING—ESTIMATED USE AND DISTRIBUTION OF BOND PROCEEDS."

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

PRICES AND MARKETABILITY

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may over - allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

SECURITIES LAWS

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description..................................... The District is a political subdivision of the State of Texas created by an Act of the 58th Legislature of the State of Texas, Regular Session, 1963 (compiled as Article 8280-286, Vernon's Texas Civil Statutes) and operates under the provisions of Chapters 49 and 51 of the Texas Water Code, as amended. The District contains approximately 1,215 acres of land. See "THE DISTRICT."

Location .... The District is located approximately 12 miles northwest of Texas City, Texas and 38 miles southeast of Houston, Texas at the intersection of FM 646 and State Highway 146. Portions of the District are within the extraterritorial jurisdictions of the City of League City and the City of Texas City and within the corporate boundaries of the City of Texas City. Pursuant to the provisions of Chapter 43 of the Texas Local Government Code, Texas City has the right to annex land located in Texas City's extraterritorial jurisdiction. On November 7, 2018, Texas City annexed three tracts of land within the District totaling approximately 22.5 acres. The Service Plan adopted in connection with the annexation provides that Texas City will provide the annexed land with certain statutory services, including police protection, fire protection, emergency medical service, solid waste collection, and maintenance of roads, drainage and street lighting. Texas City did not annex the entire District, dissolve the District, or assume any of the District's current or future bonds. The District is within the boundaries of Dickinson Independent School District. See "THE DISTRICT".

Status of Development..................... Development of the District began in the 1960's. Water, sewer and drainage facilities are available to serve all of land in the District. As of April 1, 2020, 3,138 homes were completed.

The District has approximately one mile of property fronting along Galveston Bay. Development along the Bay has been and currently is high-end, well-kept home sites many of which are weekend/vacation homes. Moving toward the interior of the District, the homes reduce in quality, size and value and include numerous mobile homes and permanent recreation vehicles. There is no zoning in the District, and therefore, there is no pattern to development of home sites in type, value or maintenance. Of the homes which currently have been designated as homesteads, the average market value as shown on the 2019 tax roll of the District prepared by the Galveston Central Appraisal District is approximately $131,262.

Commercial development in the District includes McDonalds, Jack in the Box, Dollar General, Family Dollar, O'Reilly Auto Parts, Amegy Bank, Palace Inn, a mini-warehouse facility, Valero, Conoco and Exxon gas stations with convenience stores, and various other retail and service establishments. Industrial development in the District includes Industrial Specialist LLC, a provider of industrial services to the downstream energy infrastructure market. See "TAX DATA—Principal Taxpayers." Fire protection is provided by the Bacliff Volunteer Fire Department and emergency medical services are provided by Galveston County Emergency Medical Service. Also, K.E. Little Elementary School is located in the District. See "THE DISTRICT."

Payment Record .... The District has previously sold $18,730,000 principal amount in seven series, $11,900,000 of which remain outstanding as of April 1, 2020 (the "Outstanding Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT — OUTSTANDING DEBT." The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

COVID -19..................................... The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. As described herein under "INVESTMENT CONSIDERATIONS- INFECTIOUS DISEASE OUTLOOK (COVID-19)", federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston/Galveston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

Hurricane Harvey .... The greater Houston/Galveston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015 including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

The District's water, sewer and drainage system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Galveston County has made improvements to drainage in the areas that experienced flooding and is continuing to do some drainage improvements within the District. There were approximately 100 homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey. FEMA replaced 10 homes. The remaining flooded homes have been repaired. Homes have been repaired subsequently. Approximately 6 businesses experienced flood damage and have reopened for business.

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

THE BONDS

Description..................................... The $4,245,000 Unlimited Tax Refunding Bonds, Series 2020, (the "Bonds") are issued in part as Current Interest Bonds maturing on September 1 in the years 2021 through 2025, both inclusive, and 2033 through 2037, both inclusive; and in part as Premium Capital Appreciation Bonds maturing on September 1 2026 in the principal amounts and accruing or accreting interest at the rates shown on page 2 hereof and as term bonds maturing September 1, 2028, September 1, 2030 and September 1, 2032 (the "Term Bonds") See "THE BONDS".

The Bonds are being issued pursuant to an order authorizing the issuance of the Bonds adopted by the District's Board of Directors (the "Board") as fully registered bonds. The current interest bonds will be issued in denominations of $5,000 principal amount or integral multiples of $5,000. Interest on the Current Interest Bonds will accrue from the delivery date (the "Delivery Date") to the Underwriter (defined herein) and will be payable on March 1 and September 1 of each year commencing March 1, 2021, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Premium Capital Appreciation Bonds will accrete from the Delivery Date and such interest will compound semiannually on March 1 and September 1 of each year beginning September 1, 2020 and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of and compounded interest on the Premium

Capital Appreciation Bonds (the "Maturity Amount") is payable at maturity. The Premium Capital Appreciation Bonds will be issued in integral multiples of $5,000 of maturity amount. See "THE BONDS."

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

Redemption .... The Current Interest Bonds maturing on or after September 1, 2027 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption and as term bonds maturing September 1, 2028, Septermber 1, 2030 and September 1, 2032 (the "Term Bonds") subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accured interest to the redemption date. See "THE BONDS — Redemption Provisions."

Use of Proceeds .... Proceeds from the sale of the Bonds will be used to refund $4,245,000 of the District's Outstanding Bonds (defined below) in order to achieve annual and net present value savings in the District's annual debt service expense. The Bonds to be refunded and discharged with Bond proceeds are referred to herein as the "Refunded Bonds." Bond proceeds will also be used to pay certain costs associated with issuance of the Bonds, including the payment of any insurance premium. See "PLAN OF FINANCING — REFUNDED BONDS" and "— SOURCES AND USES OF FUNDS."

Authority for Issuance .... The Bonds are issued pursuant to the Bond Order, the Pricing Certificate, the Texas Constitution, Chapter 1207 of the Texas Government Code, as amended, and the general laws of the State of Texas. See "THE BONDS — AUTHORITY FOR ISSUANCE".

Source of Payment .... Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Galveston County, the City of League City, the City of Texas City, or any entity other than the District. See "THE BONDS — SOURCE OF PAYMENT."

Municipal Bond Rating and Municipal Bond Insurance .... Standard and Poor's Rating Services, a Standard & Poor's Financial Service LLC business ("S&P") is expected to assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds, with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. The Bonds and the presently outstanding debt of the District are rated "A-" by S&P, without regard to credit enhancement.See "INVESTMENT CONSIDERATIONS — RISK FACTORS RELATED TO THE PURCHASE OF MUNICIPAL BOND INSURANCE" and "MUNICIPAL BOND RATING" AND "MUNICIPAL BOND INSURANCE."

Qualified Tax-Exempt Obligations.. The District will designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986 and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2020 is not expected to exceed $10,000,000. See "LEGAL MATTERS — QUALIFIED TAX-EXEMPT OBLIGATIONS."

Bond Counsel .... Baker Williams Matthiesen LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL MATTERS."

Special Tax Counsel .... Orrick, Herrington & Sutcliffe LLP, Houston, Texas. See "TAX MATTERS".

General Counsel .... Reid Strickland & Gillette, LLP, Baytown, Texas.

Financial Advisor .... Hilltop Securities, Houston, Texas. *See* "MANAGEMENT OF THE DISTRICT."

Underwriter's Counsel .... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Paying Agent/Registrar .... UMB Bank, N.A., Houston, Texas.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned "INVESTMENT CONSIDERATIONS."

SELECTED FINANCIAL INFORMATION

2020 Taxable Assessed Valuation	$ 381,955,261	(1)
Gross Direct Debt Outstanding	$ 11,900,000	(2)
Estimated Overlapping Debt	28,212,121	(3)
Gross Direct Debt and Estimated Overlapping Debt	$ 40,112,121	
Ratio of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	3.12%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation	10.50%	
Debt Service Fund Balance as of June 30, 2020	$ 1,259,177	
Operating Funds Available as of June 30, 2020	$ 1,652,376	
Capital Projects Funds Available as of June 30, 2020	$ 1,001,455	
2019 Debt Service Tax Rate	0.2976	(4) (5)
2019 Maintenance Tax Rate	-	
2019 Total Tax Rate	0.2976	
Average Annual Debt Service Requirement (2020-2037)	$ 921,089	
Maximum Annual Debt Service Requirement (2021)	$ 1,012,728	
Tax Rates Required to Pay Average Annual Debt Service (2020-2037) at a 95% Collection Rate Based upon the 2020 Taxable Assessed Valuation	$ 0.2487	(4)
Tax Rates Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate Based upon the 2020 Taxable Assessed Valuation	$ 0.2734	(4)
Status of water and sewer connections as of 5/31/2020 (6)		
Single Family Connections	3,087	
Multi-Family Connections (Mobile Home Park)	112	
Commercial Connections	162	
Other Connections (District, Irrigation and Rental)	12	
Estimated Population	10,981	(7)

____

(1) Certified Value from the Galveston County Assessors Office includes an estimated $17,966,096 still under ARB review.
(2) Includes the Bonds and excludes the Bonds being refunded.
(3) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT — ESTIMATED OVERLAPPING DEBT" and "— OVERLAPPING TAXES."
(4) See "TAX DATA — DEBT SERVICE TAX" and "— TAX ADEQUACY FOR DEBT SERVICE."
(5) 2020 Tax Rates were not available at time of posting.
(6) See "THE DISTRICT — STATUS OF DEVELOPMENT."
(7) Based upon 3.5 persons per single-family connection and 2.0 persons per multi-family connection.

PRELIMINARY OFFICIAL STATEMENT

$4,245,000

BACLIFF MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Galveston County)

UNLIMITED TAX REFUNDING BONDS, SERIES 2020

INTRODUCTION

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Bacliff Municipal Utility District (the "District") of its $4,245,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to the constitution and laws of the State of Texas, particularly Chapters 49 and 51 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, an order (the "Bond Order") adopted by the Board of Directors of the District (the "Board"), and the Pricing Certificate ("Pricing Certificate") executed by an authorized representative of the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Baker Williams Matthiesen LLP, Bond Counsel, 5005 Woodway Drive, Suite 201, Houston, Texas 77056, upon payment of duplication costs.

PLAN OF FINANCING

PURPOSE

Proceeds from the sale of the Bonds will be used to refund $4,245,000 of the District's Unlimited Tax Bonds, Series 2002, Unlimited Tax Bonds, Series 2004 and Unlimited Tax Bonds, Series 2012, as shown in Schedule I Outstanding Bonds (defined below) in order to achieve annual and net present value savings in the District's annual debt service expense. The Bonds to be refunded and discharged with Bond proceeds are referred to herein as the "Refunded Bonds." Bond proceeds will also be used to pay certain costs associated with issuance of the Bonds, including the payment of any insurance premium.

REFUNDED BONDS

The paying agent/registrar for the Refunded Bonds will execute a certificate verifying that the funds on deposit with the paying agent for the Refunded Bonds will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of the Refunded Bonds or their redemption date (the "Sufficiency Certificate").

The principal and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the respective redemption dates of such Refunded Bonds, from funds to be deposited with the paying agent for the Refunded Bonds. The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriter, the District will deposit with the paying agent/registrar for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Such funds will be held by the paying agent/registrar for the Refunded Bonds in a special account used to defease and redeem the Refunded Bonds on their redemption date.

By the deposit of cash with the paying agent/registrar for the Refunded Bonds, the District will have affected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Sufficiency Certificate, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the paying agent/registrar for the Refunded Bonds and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK

SOURCES AND USES OF FUNDS

The proceeds derived from the sale of the Bonds will be applied as follows:

Sources of Funds	
Par Amount	$ 4,245,000.00
Premium	205,623.70
Transfer from Debt Service Fund	75,852.50
Total	$ 4,526,476.20
Uses of Funds	
Cash Deposit	$ 4,319,588.29
Cost of Issuance(1)	164,147.42
Initial Purchaser's Discount	38,609.06
Additional Proceeds	4,131.43
Total	$ 4,526,476.20

____

(1) Includes legal fees of the District, financial advisory fees, rating fees, fees of the Paying Agent/Registrar, Bond Insurance, contingency and other costs of issuance.

THE BONDS

DESCRIPTION

The Bonds will be dated July 15, 2020 (the "Dated Date"). The Current Interest Bonds will accrue interest from their delivery date to the Underwriter (the "Delivery Date"), and such interest is payable on March 1 and September 1 in each year, commencing March 1, 2021, until maturity or prior redemption. The Premium Capital Appreciation Bonds will accrete in value from the Delivery Date and such interest will compound semiannually on each March 1 and September 1, commencing September 1, 2020 (the "Accretion Dates"), and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months The Current Interest Bonds will mature on September 1, 2021 through 2025 and September 1, 2033 through 2037 both inclusive in the respective principal amounts shown on the inside cover hereof. The Bonds maturing on September 1, 2028, September 1, 2030 and September 1, 2032 (the "Term Bonds") are subject to mandatory sinking fund redemption in whole or in part prior to maturity at the price of par plus accrued interest to the redemption date and will bear interest at the rates set forth on page 2 of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Premium Capital Appreciation Bonds will mature on the dates, in the amounts due at maturity (the "Maturity Amount") and will accrete in value at the approximate yields based upon the initial offering prices to the public, which are set forth on page 2 of this Official Statement.

Interest on the Current Interest Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar (hereinafter defined) on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Current Interest Bonds is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Maturity Amount of the Premium Capital Appreciation Bonds is payable at maturity. If the date for the payment of the Maturity Amount, principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

The Bonds will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. The Current Interest Bonds will be issued in denominations of $5,000 of principal amount or any integral thereof within a maturity. The Premium Capital Appreciation Bonds will be issued in denominations of $5,000 of Maturity Amount or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The Maturity Amount of the Premium Capital Appreciation Bonds and the principal of and interest on the Current Interest Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect 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 the District (or the Trustee on behalf thereof) 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).

Principal, premium, if any, interest payments and redemption proceeds 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 Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds 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, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Registrar only upon presentation and surrender thereof to the Registrar or its principal payment office and such transfer or exchange shall be without expenses or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Registrar. A new Bond or Bonds will be delivered by the Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Registrar, or sent by the United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "THE BONDS — BOOK-ENTRY-ONLY SYSTEM" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

METHOD OF PAYMENT OF PRINCIPAL AND INTEREST

In the Bond Order, the Board has appointed UMB Bank, N.A., Houston, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, commencing March 1, 2021, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the March 1 or September 1 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

SOURCE OF PAYMENT

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

FUNDS

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

The proceeds of sale of the Bonds shall be deposited into the Bond Redemption Fund held by the Paying Agent/Registrar for the Refunded Bonds, to be used for the purpose of paying the costs necessary or appropriate to accomplish the purposes for which the Bonds were issued and for paying the costs of issuance of the Bonds. Any monies remaining in the Bond Redemption Fund will be used as described in the Bond Order or ultimately transferred to the Debt Service Fund.

REDEMPTION PROVISIONS

Optional Redemption. . . The District reserves the right, at its option, to redeem the Current Interest Bonds maturing on or after September 1, 2027 prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 on September 1, 2026, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

The Premium Capital Appreciation Bonds are not subject to redemption prior to maturity.

Mandatory Redemption. . . In addition to the optional redemption described above, the Bonds maturing on September 1 in each of the years 2028, 2030 and 2032 (the "Term Bonds"), are subject to mandatory redemption prior to their scheduled maturities, and will be redeemed by the District at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amount as follows:

Term Bond Due September 1, 2028		Term Bond Due September 1, 2030		Term Bond Due September 1, 2032	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2027	$ 175,000	September 1, 2029	$ 185,000	September 1, 2031	$ 195,000
September 1, 2028*	175,000	September 1, 2030*	185,000	September 1, 2032*	195,000
	$ 350,000		$ 370,000		$ 390,000

* Maturity

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

If less than all of the Current Interest Bonds are redeemed at any time, the maturities of the Current Interest Bonds to be redeemed will be selected by the District. If less than all the Current Interest Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Current Interest Bonds are in book-entry only form).

At least 30 days prior to the mandatory redemption date for the Term Bonds, the Paying Agent/Registrar will select by lot, or other method of random selection as Paying Agent/Registrar deems fair and appropriate, the Term Bonds to be redeemed. Any Term Bonds, or a portion thereof, not selected for prior redemption will be paid on the date of final maturity. To the extent, however, that Term Bonds of a particular maturity which at least 50 days prior to a mandatory redemption date (i) have been previously purchased by the District, at a price not to exceed the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (ii) have been purchased and canceled by the Paying Agent/Registrar at the request of the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (iii) called for optional redemption in part and other than from a sinking fund redemption payment, the annual sinking fund payment therefor will be reduced, as determined by the District, by the principal amount of the Term Bonds of such maturity so purchased or redeemed.

If a Bond subject to redemption is in a denomination larger than $5,000, a portion of such Bond may be redeemed, but only in integral multiples of $5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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

AUTHORITY FOR ISSUANCE

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order; the Pricing Certificate; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 51 of the Texas Water Code, as amended; and Chapter 1207 of the Texas Government Code, as amended. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

LOST, STOLEN OR DESTROYED BONDS

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

REPLACEMENT OF PAYING AGENT/REGISTRAR

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

ISSUANCE OF ADDITIONAL DEBT

The District may issue additional bonds, with the approval of the Texas Commission on Environmental Quality (the "Commission"), necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT — GENERAL." The District has $706,000 principal amount of Unlimited Tax Bonds that will remain authorized but unissued. To authorize additional unlimited tax bonds, the District's voters would be required to approve such bonds at an election. The Board has not considered calling such election at this time.

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

Issuance of bonds for fire-fighting facilities could dilute the investment security for the Bonds.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters, or the amount ultimately issued by the District.

ANNEXATION

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation. Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Texas City, Texas ("Texas City") and League City, Texas ("League City", and together with Texas City, the "Cities")the District may be annexed by the Cites without the District's consent, and the Cities cannot annex territory within the District unless it annexes the entire District; however, the Cities may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than fifty-percent (50%) of the land in the area, a petition has been signed by more than fifty-percent (50%) of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the Cities and the District specifying the procedures for full purpose annexation of all or a portion of the District.

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

ANNEXATION BY TEXAS CITY

Portions of the District lie within the extraterritorial jurisdiction of the Texas City. Pursuant to the provisions of Chapter 43 of the Texas Local Government Code, Texas City has the right to annex land located in Texas City's extraterritorial jurisdiction. On November 7, 2018, Texas City annexed three tracts of land within the District totaling approximately 24.5 acres. The Service Plan adopted in connection with the annexation provides that Texas City will provide the annexed land with certain statutory services, including police protection, fire protection, emergency medical service, solid waste collection, and maintenance of roads, drainage and street lighting. Texas City did not annex the entire District, dissolve the District, or assume any of the District's current or future bonds. See "-ANNEXATION."

CONSOLIDATION

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and 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.

STRATEGIC PARTNERSHIP

Under Chapter 43 of the Texas Water Code the District may enter into a strategic partnership agreement with the cities of Texas City and League City (the "Cities") wherein the District agrees to limited annexation by the Cities of the District for specific purposes. Such an agreement could include the imposition of certain sales and use taxes by the Cities on designated property within the District, the allocation of such revenue between the Cities and the District, and the provision of certain services by the Cities. The agreement may provide that a city is prohibited from a total annexation and dissolution of the District during the term of the Agreement. The District has not entered into any discussions with either of the Cities regarding such an agreement and no representation can be made regarding the likelihood of the District and the Cities entering into such an agreement in the future.

REMEDIES IN EVENT OF DEFAULT

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

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

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

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

DEFEASANCE

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

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.

REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK

THE DISTRICT

GENERAL

The District is a political subdivision of the State of Texas created by an Act of the 58th Legislature of the State of Texas, Regular Session, 1963 (compiled as Article 8280-286, Vernon's Texas Civil Statutes). The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 51 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreation facilities, including the issuance of bonds payable from taxes for such purposes. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance roads.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District obtains necessary consents, if any, from the City of League City and the City of Texas City for the issuance of bonds and construction of improvements. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM — REGULATION."

DESCRIPTION AND LOCATION

The District contains approximately 1,215 acres of land. The District is located approximately 12 miles northwest of Texas City, Texas and 38 miles southeast of Houston, Texas at the intersection of FM 646 and State Highway 146. Portions of the District are within the extraterritorial jurisdictions of the City of League City and the City of Texas City and within the corporate boundaries of the City of Texas City. Pursuant to the provisions of Chapter 43 of the Texas Local Government Code, Texas City has the right to annex land located in Texas City's extraterritorial jurisdiction. On November 7, 2018, Texas City annexed three tracts of land within the District totaling approximately 24.5 acres. The Service Plan adopted in connection with the annexation provides that Texas City will provide the annexed land with certain statutory services, including police protection, fire protection, emergency medical service, solid waste collection, and maintenance of roads, drainage and street lighting. Texas City did not annex the entire District, dissolve the District, or assume any of the District's current or future bonds. The District is within the boundaries of Dickinson Independent School District.

STATUS OF DEVELOPMENT

Development of the District began in the 1960's. Water, sewer and drainage facilities are available to serve all of land in the District. As of April 1, 2020, 3,138 homes were completed.

The District has approximately one mile of property fronting along Galveston Bay. Development along the Bay has been and currently is high-end, well-kept home sites many of which are weekend/vacation homes. Moving toward the interior of the District, the homes reduce in quality, size and value and include numerous mobile homes and permanent recreation vehicles. There is no zoning in the District, and therefore, there is no pattern to development of home sites in type, value or maintenance. Of the homes which currently have been designated as homesteads, the average market value as shown on the 2019 tax roll of the District prepared by the Galveston Central Appraisal District is approximately $131,262.

Commercial development in the District includes McDonalds, Jack in the Box, Dollar General, Family Dollar, O'Reilly Auto Parts, Amegy Bank, Palace Inn, a mini-warehouse facility, Valero, Conoco and Exxon gas stations with convenience stores, and various other retail and service establishments. Industrial development in the District includes Industrial Specialist LLC, a provider of industrial services to the downstream energy infrastructure market. See "TAX DATA — PRINCIPAL TAXPAYERS." Fire protection is provided by the Bacliff Volunteer Fire Department and emergency medical services are provided by Galveston County Emergency Medical Service. K.E. Little Elementary School is located in the District.

MANAGEMENT OF THE DISTRICT

BOARD OF DIRECTORS

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held in May in even numbered years only. All of the Board members reside within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Brad Bingham	President	November 2020
Dale Patterson	Vice President	May 2022
Victor Medina	Director	November 2020
Don Rodgers	Director	May 2022
Tony Poynor	Director	May 2022

DISTRICT MANAGEMENT

The District provides its own utility system management, operating and bookkeeping services. The District employs the following individuals in the following executive capacities.

General Manager: James Wistinghausen

Office Manager: Yvonne Manis

Water and Field Supervisor: Mike Morgan

In addition, the District employs three licensed operators and two field service personnel.

DISTRICT CONSULTANTS

The District has also contracted for tax assessing and collecting, auditing, engineering, financial advisory and legal services as follows:

Bond Counsel: The District has engaged Baker Williams Matthiesen LLP, Houston, Texas, as Bond Counsel to the District in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds.

General Counsel: The District has engaged Reid Strickland & Gillette, LLP, Baytown, Texas, as general counsel to the District on matters other than the issuance of bonds. The fees of the attorneys in their capacity as General Counsel are based on time charges actually incurred.

Financial Advisor: Hilltop Securities serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the TCEQ. The District's financial statements for the year ended December 31, 2019, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's December 31, 2019, financial statements.

Engineer: The District's engineer is Freese and Nichols, Inc.

Tax Appraisal: The Galveston Central Appraisal District ("the Appraisal District") has the responsibility of appraising all property within the District. See "TAXING PROCEDURES."

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

THE SYSTEM

REGULATION

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Galveston County Drainage District No. 1. Galveston County, the City of League City, the City of Texas City, and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

WATER SUPPLY

The District and the Gulf Coast Water Authority ("GCWA") are parties to a Water Supply Contract pursuant to which GCWA agrees to supply the District up to a maximum capacity of 1.19 million gallons per day ("mgd") of treated surface water, which is the primary source of water for the District. The District pumps the surface water into its distribution system from its water plant located within the District. The District's water plant contains 654 gallons per minute ("gpm") well, which is used as a stand-by and emergency water supply, one million gallons ground storage tank capacity, 750,000 gallons elevated storage tank capacity, and 2,100 gpm booster pump capacity. According to the Engineer, the existing water facilities are adequate to provide capacity to serve the District's existing connections. The District also has an emergency interconnect with Bayview Municipal Utility District.

WASTEWATER TREATMENT

Wastewater treatment service is provided to the residents within the District by a 1,240,000 gallons per day ("gpd") wastewater treatment plant owned and operated by the District. The capacity in the plant is sufficient to serve 4,133 equivalent single family connections. As of December 31, 2019, the District was serving approximately 3,305 equivalent single family connections.

100-YEAR FLOOD PLAIN

According to Federal Emergency Management Agency Flood Insurance Rate Map (Panel No.485470 0035C, dated May 2, 1983), property within the District that is directly adjacent to Galveston Bay (approximately 13 acres) is within the 100-year flood plain. The District has not verified that the homes and improvements on this property have been constructed at or above the minimum slab and elevation requirements. The construction of houses and other improvements at or above the minimum slab and elevation requirements does not assure that such structures will not flood under catastrophic events such as major hurricanes. See "INVESTMENT CONSIDERATIONS — HURRICANES AND SUBSIDENCE."

FINANCIAL INFORMATION CONCERNING THE DISTRICT

2020 Taxable Assessed Valuation	$ 381,955,261	(1)
Gross Direct Debt Outstanding	$ 11,900,000	(2)
Estimated Overlapping Debt	28,212,121	(3)
Gross Direct Debt and Estimated Overlapping Debt	$ 40,112,121	
Ratio of Gross Direct Debt to:		
2020 Taxable Assessed Valuation	3.12%	
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Taxable Assessed Valuation	10.50%	
Debt Service Fund Balance as of June 30, 2020	$ 1,259,177	
Operating Funds Available as of June 30, 2020	$ 1,652,376	
Capital Projects Funds Available as of June 30, 2020	$ 1,001,455	

(1) Certified Value from the Galveston County Assessors Office includes an estimated $17,966,096 still under ARB review.
(2) Includes the Bonds and excludes the Bonds being refunded.
(3) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT — ESTIMATED OVERLAPPING DEBT" and "— OVERLAPPING TAXES."

INVESTMENTS OF THE DISTRICT

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

OUTSTANDING BONDS

The District has previously issued two series of waterworks and sewer system combination unlimited tax and revenue bonds and four series of unlimited tax bonds, of which an aggregate principal amount of $11,900,000 is outstanding (the "Outstanding Bonds") as of , June 30, 2020. The following table lists the original principal amount of the Outstanding Bonds and the principal amount of the Outstanding Bonds.

Series		Original Principal Amount	Principal Currently Outstanding (as of 7/30/2020)
2002	(1)	$ 4,890,000	$ 1,200,000
2004	(1)	4,890,000	1,750,000
2012		2,425,000	2,425,000
2013		6,525,000	6,525,000
Total		$ 18,730,000	$ 11,900,000

(1) Issued to the Texas Water Development Board.

DEBT SERVICE REQUIREMENTS

The following table sets forth the actual debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds ($4,245,000 principal amount), plus the debt service on the Bonds.

	Outstanding Debt Service [1]			Plus: Debt Service on the Refunded Bonds			Total Debt Service
Year	Principal	Interest	Total	Principal	Interest	Total	Requirements
2020	$ 555,000	$ 413,215	$ 968,215	$ -	$ -	$ -	$ 968,215
2021	575,000	319,595	894,595	15,000	103,133	118,133	1,012,728
2022	-	300,900	300,900	600,000	101,550	701,550	1,002,450
2023	-	300,900	300,900	610,000	83,550	693,550	994,450
2024	250,000	300,900	550,900	360,000	65,250	425,250	976,150
2025	250,000	289,650	539,650	375,000	54,450	429,450	969,100
2026	385,000	278,400	663,400	125,000	93,200	218,200	881,600
2027	405,000	261,075	666,075	175,000	43,200	218,200	884,275
2028	420,000	242,850	662,850	175,000	39,700	214,700	877,550
2029	440,000	223,950	663,950	185,000	36,200	221,200	885,150
2030	460,000	204,150	664,150	185,000	32,500	217,500	881,650
2031	485,000	183,450	668,450	195,000	28,800	223,800	892,250
2032	510,000	161,625	671,625	195,000	24,900	219,900	891,525
2033	530,000	138,038	668,038	200,000	21,000	221,000	889,038
2034	555,000	113,525	668,525	205,000	17,000	222,000	890,525
2035	585,000	87,163	672,163	210,000	12,900	222,900	895,063
2036	610,000	59,375	669,375	215,000	8,700	223,700	893,075
2037	640,000	30,400	670,400	220,000	4,400	224,400	894,800
Total	$ 7,655,000	$ 3,909,160	$ 11,564,160	$ 4,245,000	$ 770,433	$ 5,015,433	$ 16,579,593

(1) Excludes refunded Bonds.

Average Annual Debt Service Requirement (2020-2037)	$ 921,089
Maximum Annual Debt Service Requirement (2021)	$ 1,012,728

OTHER OBLIGATIONS

Pension Plan: The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employers.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credit. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 7.13% for the months of the accounting year in 2019.

The deposit rate payable by the employee members for fiscal year 2019 is the rate of seven percent (7%) as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

For the District's accounting year ended December 31, 2019, the annual pension cost for the TCDRS plan for its employees was $92,795; the actual contributions were $92,795. See "Appendix A – Notes to the Financial Statements – Note 10, Pension Plan".

OTHER POST-EMPLOYMENT BENEFITS

The District participates in a cost-sharing multiple- employer defined benefit group term life insurance plan operated by the TCDRS. This plan is referred to as the Group Term Life Fund (GTL). See "Appendix A – Notes to the Financial Statements – Note 11, Other Post-Employment Benefits."

AUTHORIZED BUT UNISSUED BONDS

Date of Election	Purpose	Authorized	Issued to Date	Unissued
5/17/1980	Water & Sewer	$ 531,000	$425,000	$106,000
12/17/1983	Wastewater	$ 1,250,000	$650,000	$600,000

ESTIMATED OVERLAPPING DEBT

The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located, and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Bonds	As of	Percent	Amount	
College of the Mainland	$ 170,560,000	7/1/2020	2.46 %	$ 4,195,776	
Dickinson Independent School District	295,390,000	7/1/2020	7.39	21,829,321	
Galveston County	229,269,447	7/1/2020	0.91	2,086,352	
Texas City	31,460,000	7/2/2020	0.32	100,672	
Total Estimated Overlapping Debt				$ 28,212,121	
The District's Total Direct Debt				11,900,000	(1)
Total Direct and Estimated Overlapping Debt				$ 40,112,121	
Direct and Estimated Overlapping Debt as a Percentage of:					
2020 Taxable Assessed Valuation of $381,955,261				11.35%	

(1) Excludes Refunded Bonds and includes the Bonds.
(2) Certified Value from the Galveston County Assessors Office includes an estimated $17,966,096 still under ARB review.

OVERLAPPING TAXES

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

Set forth below are all of the taxes levied for the 2019 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2019 Tax Rate Per $100 Assessed Valuation [(1)]
College of the Mainland	$0.2043
Dickinson Independent School District	1.4500
Galveston County [(2)]	0.5161
Texas City [(3)]	0.5400
Total Overlapping Tax Rate	$2.7104
The District	0.2976
Total Tax Rate	$3.0080

(1) 2020 Tax Rates were not available at time of posting.
(2) Includes Galveston County Road and Flood.
(3) Only applies to an area of 24.5 acres along Highway 146

GENERAL OPERATING FUND

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ending December 31, 2015 through December 31, 2019. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further information.

	Fiscal Year Ended December 31,				
	2019	2018	2017	2016	2015
REVENUES:					
Water service	$ 1,024,931	$ 1,047,410	$ 1,024,511	$ 1,001,776	$ 974,461
Wastewater service	1,298,430	1,657,423	1,633,943	1,630,222	1,004,161
Solid Waste Disposal	356,469	-	-	-	-
Street Lighting [(1)]	81,706	86,641	86,190	74,939	72,349
Penalty & Interest	53,757	59,700	51,519	58,985	47,958
Tap connection/inspection fees	131,825	113,750	169,250	88,200	90,400
Investment earnings	-	-	-	-	-
Miscellaneous	133,759	175,420	115,412	78,017	108,784
TOTAL REVENUES	$ 3,080,877	$ 3,140,344	$ 3,080,825	$ 2,932,139	$ 2,298,113
EXPENDITURES:					
Personnel	$ 1,065,841	$ 982,786	$ 1,058,155	$ 935,784	$ 950,966
Professional Fees	38,053	48,926	30,651	26,385	30,259
Solid Waste Disposal	595,283	592,146	549,924	494,686	-
Contracted services	-	-	-	-	-
Purchased water service	399,918	364,231	337,687	299,360	256,838
Utilities	205,854	211,409	207,602	222,625	217,322
Repairs & Maintenance	177,565	288,790	101,219	197,909	90,965
Street Lighting	68,156	77,453	84,315	70,140	61,278
Other [(2)]	368,906	408,875	438,651	437,423	452,182
Capital Outlay	41,150	270,543	60,367	157,084	517,741
TOTAL EXPENDITURES	$ 2,960,726	$ 3,245,159	$ 2,868,571	$ 2,841,396	$ 2,577,551
NET REVENUES	$ 120,151	$ (104,815)	$ 212,254	$ 90,743	$ (279,438)
FUND BALANCE, BEGINNING OF YEAR	$ 1,935,652	$ 2,040,467	$ 1,828,213	$ 1,737,470	$ 2,016,908
FUND BALANCE, END OF YEAR	$ 2,055,803	$ 1,935,652	$ 2,040,467	$ 1,828,213	$ 1,737,470

(1) The District assesses the cost of installation, operating and maintaining the street lighting as an additional charge on the monthly billings of the District's customers.
(2) "Other" expenditures consist of various administrative expenses including directors' fees, election costs, insurance, office supplies, and training and various expenses for chemicals, equipment rental, laboratory testing, permits, sludge hauling and uniforms. See "APPENDIX A."

TAX DATA

DEBT SERVICE TAX

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The District has adopted a 2019 tax rate of $0.2976 per $100 of taxable assessed valuation, all of which is allocated to debt service. The 2020 tax rate had not been adopted at time of posting.

MAINTENANCE TAX

No maintenance tax has been approved by voters within the District.

HISTORICAL TAX RATE DISTRIBUTION

	Tax Year					
	2020[1]	2019	2018	2017	2016	2015
Debt Service	$0.000000	$0.297600	$0.331200	$0.331200	$0.376900	$ 0.402000
Maintenance and Operations	-	-	-	-	-	-
Total	$0.000000	$0.297600	$0.331200	$0.331200	$0.376900	$ 0.402000

(1) 2020 Tax Rates were not available at time of posting.

EXEMPTIONS

As discussed in the section titled "TAXING PROCEDURES," certain property in the District may be exempt from taxation by the District. For tax year 2020, the District has granted a $10,000 exemption for persons who are disabled or 65 years of age or older.

ADDITIONAL PENALTIES

The District has contracted with an attorney to collect certain delinquent taxes. In connection with that contract, the District established 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 May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

HISTORICAL TAX COLLECTIONS

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "TAX ROLL INFORMATION" below.

Tax Year	Net Certified Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections Amount	Total Collections Percent
2015	$ 257,893,023	$ 0.376890	$ 1,037,688	$ 1,028,940	99.16%
2016	276,522,847	0.331174	1,043,355	1,033,442	99.05%
2017	311,618,407	0.331174	1,032,424	1,019,484	98.75%
2018	329,367,592	0.297621	1,091,195	1,069,739	98.03%
2019	352,555,041	0.297621	1,049,146	1,029,247 (1)	98.10% (1)
2020	381,955,261 (2)	N/A (3)	N/A (3)		

(1) Total Collections as of June 30, 2020.
(2) Certified Value from the Galveston County Assessors Office includes an estimated $17,966,096 still under ARB review.
(3) 2020 Tax Rates and Levy information was not available at time of posting.

REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK

TAX ROLL INFORMATION

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See "TAXING PROCEDURES — VALUATION OF PROPERTY FOR TAXATION." The following represents the composition of property comprising the 2015 through 2020 Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2020 Certified Taxable Assessed Valuation	2019 Certified Taxable Assessed Valuation	2018 Certified Taxable Assessed Valuation	2017 Certified Taxable Assessed Valuation	2016 Certified Taxable Assessed Valuation	2015 Certified Taxable Assessed Valuation
Land	$ 96,760,103	$ 89,530,620	$ 88,231,690	$ 87,105,981	$ 85,879,950	$ 84,673,080
Improvements	294,284,989	268,816,503	244,057,029	235,188,121	178,897,748	169,056,083
Personal Property	25,456,990	23,719,370	22,571,329	22,158,343	29,875,569	21,681,461
Exempt Property	(34,546,821)	(29,511,452)	(25,492,456)	(32,834,038)	(18,130,420)	(17,517,601)
Total Assessed Valuation	$ 381,955,261	$ 352,555,041	$ 329,367,592	$ 311,618,407	$ 276,522,847	$ 257,893,023

(1) Certified Value from the Galveston County Assessors Office includes an estimated $17,966,096 still under ARB review.

PRINCIPAL TAXPAYERS

The following table represents the ten principal taxpayers, the type of property, the taxable appraised value of such property, and such property's taxable appraised value as a percentage of the 2020 Taxable Assessed Valuation ($381,955,261[(1)]).

Taxpayer	Type of Property	2020 Taxable Assessed Valuation
Brand Industrial Services Inc	Industrial Equipment	$ 11,282,530
Centerpoint Energy	Utility	4,609,760
Martin Mark R & Margaret J	Residential	3,257,820
Storage Choice-Dickinson Ltd	Mini-Warehouse	3,113,900
Mable P Jackson Estate	Residential Lots	2,270,320
Shahroodi Shahrokh	Mobile Home Park	2,240,840
AMH 2015-1 Borrower LLC	Residential	1,697,760
AMH 2014-3 Borrower LLC	Residential	1,502,710
Wiggins Matthew D Jr	Residential	1,471,410
Akshardham LLC		1,322,910
		$ 32,769,960
% of Tax Roll		8.58%

TAX ADEQUACY FOR DEBT SERVICE

The tax rate calculations set forth below are presented to indicate the tax rates per $100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2019 Taxable Assessed Valuation of $381,955,261[(1)]. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT — OVERLAPPING DEBT" and "— DEBT SERVICE REQUIREMENTS."

Average Annual Debt Service Requirement (2020-2037)	$ 921,089
0.2487 Rate on 2020 Taxable Assessed Valuation	$ 921,425
Maximum Annual Debt Service Requirement (2021)	$ 1,012,728
0.2734 Tax Rate on 2020 Taxable Assessed Valuation	$ 1,012,938

(1) Certified Value from the Galveston County Assessors Office includes an estimated $17,966,096 still under ARB review.

TAXING PROCEDURES

AUTHORITY TO LEVY TAXES

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS — FUTURE DEBT") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "PLAN OF FINANCING — SOURCE OF PAYMENT." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system. See "TAX DATA — DEBT SERVICE TAX" and "— MAINTENANCE TAX."

PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT

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

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

PROPERTY SUBJECT TO TAXATION BY THE DISTRICT

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $35,000 and $12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

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

Freeport Property and Goods in Transit: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990, may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property. The District has not elected to tax goods-in-transit and does not exempt Freeport property from taxation.

TAX ABATEMENT

Galveston County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Galveston County, Dickinson Independent School District, the City of Texas City and the City of League City, 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 appraised valuation of property covered by the agreement over its appraised 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

VALUATION OF PROPERTY FOR TAXATION

Generally, property in the District must be appraised by 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 Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

DISTRICT AND TAXPAYER REMEDIES

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

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

LEVY AND COLLECTION OF TAXES

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the board of directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS — GENERAL" and "— TAX COLLECTION LIMITATIONS AND FORECLOSURE REMEDIES."

THE EFFECT OF FIRREA ON TAX COLLECTIONS OF THE DISTRICT

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

INVESTMENT CONSIDERATIONS

GENERAL

The Bonds are obligations solely of the District and are not obligations of the City of League City, City of Texas City, Galveston County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "PLAN OF FINANCING — SOURCE OF PAYMENT." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "REGISTERED OWNERS' REMEDIES AND BANKRUPTCY LIMITATIONS" below.

GLOBAL HEALTH EMERGENCY RISK

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property in the Houston/Galveston area and could reduce or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

HURRICANES AND SUBSIDENCE

Hurricanes can cause increased flooding, particularly in coastal areas such as the area where the District is located. Hurricanes can also cause windstorm and other damage, including erosion of property fronting on Galveston Bay, and hurricane induced flooding can submerge roadways connecting coastal areas such as the District with inland areas, thus preventing evacuations of persons or property. 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. Further, 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 Gulf Coast region in which the District is located is subject to occasional destructive weather. There can be no assurance the District will not endure damage from future meteorological events.

The greater Houston/Galveston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015 including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

The District's water, sewer and drainage system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. The drainage system is maintained by Galveston County. Galveston County has made improvements to drainage in the areas that experienced flooding during Hurricane Harvey and is continuing to do some drainage improvements within the District. Based upon a survey by the District, there were approximately 100 homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey. FEMA replaced 10 homes that were damaged during Hurricane Harvey. The remaining flooded homes have been repaired. Approximately 6 businesses experienced flood damage and have reopened for business.

Land subsidence (a sinking of the surface of the land relative to sea level) has occurred in many areas in the Houston-Galveston area, including the District, and any future subsidence could increase flooding risks. These factors could cause property values in the District to fall and could adversely affect the District's ability to collect taxes to pay interest and principal on the Bonds.

SPECIFIC TYPES OF FLOOD RISKS

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

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

MAXIMUM IMPACT ON DISTRICT TAX RATES

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Taxable Assessed Value is $381,955,261[(1)]. After issuance of the Bonds, the maximum annual debt service requirement will be $1,012,728 (2021), and the average annual debt service requirement will be $921,089 (2020-2037, inclusive). Assuming no increase or decrease from the 2019 Taxable Assessed Value, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.2728 and $0.3007, respectively per $100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay both the maximum annual debt service requirement and the average annual debt service requirements. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT— DEBT SERVICE REQUIREMENTS."

TAX COLLECTIONS LIMITATIONS AND FORECLOSURE REMEDIES

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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 market conditions limiting the proceeds from a

(1) Certified Value from the Galveston County Assessors Office includes an estimated $17,966,096 still under ARB review.

foreclosure sale of taxable property and collection procedures. 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. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAXING PROCEDURES — DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES."

REGISTERED OWNERS' REMEDIES AND BANKRUPTCY LIMITATIONS

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

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

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

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

A district may not be forced into involuntary bankruptcy.

FUTURE DEBT

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. The District has $706,000 principal amount of unlimited tax bonds authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. See "THE BONDS — ISSUANCE OF ADDITIONAL DEBT."

ENVIRONMENTAL REGULATION

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;
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility 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. hese 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.

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

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

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

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

Due to existing and possible future litigation, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

MARKETABILITY OF THE BONDS

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

CONTINUING COMPLIANCE WITH CERTAIN COVENANTS

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

RISK FACTORS RELATED TO THE PURCHASE OF MUNICIPAL BOND INSURANCE

The Underwriter has entered into an agreement with Build America Mutual Assurance Company ("BAM" or the "Insurer") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into this agreement, the Insurer was rated "AA" (stable outlook) by S&P. See "MUNICIPAL BOND RATING" AND "MUNICIPAL BOND INSURANCE."

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM" or the "Insurer"). See "APPENDIX B."

S&P has assigned an underlying rating of "A-" to the Bonds. There is no assurance that such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

PROPOSED LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

LEGAL OPINIONS

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the approving legal opinion of Baker Williams Matthiesen LLP Houston, Texas, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The District will also deliver the legal opinion of Special Tax Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See TAX MATTERS - "TAX EXEMPTION" below. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, upon all taxable property within the District. Errors or omissions in the printing of such legal opinion on the Bonds shall not affect the validity of the Bonds nor constitute cause for the failure or refusal by the Underwriter to accept delivery of and pay for the Bonds.

The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

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.

LEGAL REVIEW

In its capacity as Bond Counsel, Baker Williams Matthiesen LLP, Houston, Texas, has reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," other than "Book-Entry Only System" "THE DISTRICT—GENERAL," "MANAGEMENT OF THE DISTRICT—BOND COUNSEL AND GENERAL COUNSEL," "TAXING PROCEDURES," "LEGAL MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" other than "COMPLIANCE WITH PRIOR UNDERTAKINGS," solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firms have not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm'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 of the other information contained herein. Certain legal matters will be passed upon by McCall Parkhurst and Horton, L.L.P., Houston, Texas as Counsel to the Underwriters.

REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK

TAX MATTERS

TAX EXEMPTION

In the opinion of Orrick Herrington & Sutcliffe LLP ("Special Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Special Tax Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Special Tax Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in Appendix B hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel is expected to express no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Special Tax Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Qualified Tax Exempt Obligations

The Issuer has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank-qualified" investments.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction.

The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

NO MATERIAL ADVERSE CHANGE

The obligations of the Purchaser to take and pay for the Bonds, and 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 Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and delivery to the Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice has been filed or is pending or threatened against the District, either in state of federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING

Standard and Poor's Rating Services, a Standard & Poor's Financial Service LLC business ("S&P") is expected to assign a municipal bond rating of "AA" (stable outlook) to this issue of Bonds, with the understanding that upon delivery of the Bonds, a municipal bond insurance policy guaranteeing the timely payment of principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company. The Bonds and the presently outstanding debt of the District are rated "A-" by S&P, without regard to credit enhancement.

There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $459.6 million, $126.1 million and $333.5 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

SOURCES AND COMPILATION OF INFORMATION

The financial data and other information contained in this OFFICIAL STATEMENT have been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "CERTIFICATION OF OFFICIAL STATEMENT." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, orders, engineering and other related information set forth in this OFFICIAL STATEMENT are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

FINANCIAL ADVISOR

Hilltop Securities is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Hilltop Securities has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

CONSULTANTS

In approving this OFFICIAL STATEMENT the District has relied upon the following consultants.

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Freese and Nichols, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's financial statements for the year ended December 31, 2019, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's December 31, 2019, financial statements.

UPDATING THE OFFICIAL STATEMENT

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

CERTIFICATION OF OFFICIAL STATEMENT

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, 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 the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

ANNUAL REPORTS

The District will provide certain financial information and operating data to the MSRB. The financial information and operating data which will be provided 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 "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (except for "ESTIMATED OVERLAPPING DEBT"), "TAX DATA," and APPENDIX A (the District's Annual Financial Report and Supplemental Schedules). The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2020. Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial information and operating data which is customarily prepared by the District by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

SPECIFIED 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-exempt status of the Bonds, or other events affecting the tax-exempt 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 Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION FROM MSRB

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

LIMITATIONS AND AMENDMENTS

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS

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

MISCELLANEOUS

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

/s/ BRAD BINGHAM
President, Board of Directors

ATTEST:

/s/ DALE PATTERSON
Secretary, Board of Directors

SCHEDULE I

Unlimited Tax Bonds, Series 2002

Maturity Date	Interest Rate	Par Amount	Call Date	Call Price	
9/1/2022	3.350%	$ 305,000	8/28/2020	100.00	%
9/1/2023	3.400%	315,000	8/28/2020	100.00	
		$ 620,000			

Unlimited Tax Bonds, Series 2004

Maturity Date	Interest Rate	Par Amount	Call Date	Call Price	
9/1/2022	3.250%	$ 285,000	8/28/2020	100.00	%
9/1/2023	3.350%	295,000	8/28/2020	100.00	
9/1/2024	3.400%	305,000	8/28/2020	100.00	
9/1/2025	3.500%	315,000	8/28/2020	100.00	
		$ 1,200,000			

Unlimited Tax Bonds, Series 2012

	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price	
Term Bond	2024	3.000%	$ 50,000	8/28/2020	100.00	%
	2025	3.000%	50,000	8/28/2020	100.00	
	2026	3.000%	155,000	8/28/2020	100.00	
Term Bond	2027	3.250%	160,000	8/28/2020	100.00	
	2028	3.250%	165,000	8/28/2020	100.00	
Term Bond	2029	3.500%	175,000	8/28/2020	100.00	
	2030	3.500%	180,000	8/28/2020	100.00	
Term Bond	2031	4.000%	190,000	8/28/2020	100.00	
	2032	4.000%	195,000	8/28/2020	100.00	
Term Bond	2033	4.000%	205,000	8/28/2020	100.00	
	2034	4.000%	210,000	8/28/2020	100.00	
Term Bond	2035	4.000%	220,000	8/28/2020	100.00	
	2036	4.000%	230,000	8/28/2020	100.00	
	2037	4.000%	240,000	8/28/2020	100.00	
			$ 2,425,000			
			$ 4,245,000			

SCHEDULE II

SCHEDULE OF ACCRETED VALUES OF PREMIUM CAPTIAL APPRECIATION BONDS

Date	9/1/2026 Initial Offerings Yield 1.20%
8/27/2020	$4,653.00
9/1/2020	4,653.66
3/1/2021	4,681.58
9/1/2021	4,709.67
3/1/2022	4,737.92
9/1/2022	4,766.35
3/1/2023	4,794.95
9/1/2023	4,823.72
3/1/2024	4,852.66
9/1/2024	4,881.78
3/1/2025	4,911.07
9/1/2025	4,940.54
3/1/2026	4,970.18
9/1/2026	5,000.00

THIS PAGE LEFT BLANK INTENTIONALLY

APPENDIX A

Financial Statement of the District for the fiscal year ended December 31, 2019.

THIS PAGE LEFT BLANK INTENTIONALLY

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bacliff Municipal Utility District
Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Bacliff Municipal Utility District (the "District"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Bacliff Municipal Utility District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

May 11, 2020

BACLIFF MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Management's discussion and analysis of Bacliff Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes the District's assets, liabilities, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explains the differences between the two presentations and assists in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund. In addition, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of District of Contributions – Pensions and the Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios are included as RSI.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $14,060,573 as of December 31, 2019. A portion of the District's net position reflects its net investment in capital assets (land as well as buildings, vehicles, equipment and water and wastewater facilities, less any debt used to acquire those assets that is still outstanding). A comparative analysis of government-wide changes in net position is presented below.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Summary of Changes in the Statement of Net Position

	2019	2018	Change Positive (Negative)
Current and Other Assets	$ 5,233,644	$ 5,087,784	$ 145,860
Capital Assets (Net of Accumulated Depreciation)	22,499,834	23,070,824	(570,990)
Total Assets	$ 27,733,478	$ 28,158,608	$ (425,130)
Deferred Outflows of Resources	$ 272,415	$ 94,398	$ 178,017
Bonds Payable	$ 11,900,000	$ 12,435,000	$ 535,000
Other Liabilities	983,902	804,342	(179,560)
Total Liabilities	$ 12,883,902	$ 13,239,342	$ 355,440
Deferred Inflows of Resources	$ 1,061,418	$ 1,116,243	$ 54,825
Net Position:			
Net Investment in Capital Assets	$ 11,597,676	$ 11,617,860	$ (20,184)
Restricted	455,431	387,996	67,435
Unrestricted	2,007,466	1,891,565	115,901
Total Net Position	$ 14,060,573	$ 13,897,421	$ 163,152

The following table provides a summary of the District's operations for the years ending December 31, 2019, and December 31, 2018.

Summary of Changes in the Statement of Activities

	2019	2018	Change Positive (Negative)
Revenues:			
Property Taxes	$ 1,087,557	$ 1,029,013	$ 58,544
Charges for Services	2,976,546	2,995,197	(18,651)
Other Revenues	155,050	188,462	(33,412)
Total Revenues	$ 4,219,153	$ 4,212,672	$ 6,481
Expenses for Services	4,056,001	4,101,697	45,696
Change in Net Position	$ 163,152	$ 110,975	$ 52,177
Net Position, Beginning of Year	13,897,421	13,786,446	110,975
Net Position, End of Year	$ 14,060,573	$ 13,897,421	$ 163,152

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2019, were $3,500,676, an increase of $196,751 from the prior year.

The General Fund fund balance increased by $120,151, primarily due to service revenues exceeding operating and capital expenditures during the year.

The Debt Service Fund fund balance increased by $60,794, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by $15,806 due to the investment revenues received exceeding capital expenditures incurred during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors amended the budget during the current fiscal year to decrease projected service revenues as well as adjust several categories of expenditures based on changing cost estimates. Actual revenues were $260,523 less than budgeted revenues primarily due to service revenues being lower than anticipated. Actual expenditures were $780,234 less than budgeted expenditures, primarily due to lower than anticipated personnel costs, repairs, maintenance, capital and other costs.

CAPITAL ASSETS

Capital assets as of December 31, 2019, total $22,499,834 (net of accumulated depreciation) and include land, buildings, and equipment as well as the water and wastewater systems. Current year construction in progress relates to the water supply improvements program and Collection System Rehabilitation, Phase 19. Completed projects included the purchase of a Chevrolet truck and Orion handheld meter reader.

Capital Assets At Year-End, Net of Accumulated Depreciation

	2019	2018	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	$ 335,899	$ 335,899	$
Construction in Progress	1,351,074	1,349,250	1,824
Capital Assets, Net of Accumulated Depreciation:			
Buildings, Vehicles, and Equipment	1,166,897	1,196,864	(29,967)
Water System	7,126,062	7,320,654	(194,592)
Wastewater System	12,519,902	12,868,157	(348,255)
Total Net Capital Assets	$ 22,499,834	$ 23,070,824	$ (570,990)

LONG-TERM DEBT ACTIVITY

As of December 31, 2019, the District had total bond debt payable of $11,900,000. The changes in the debt position of the District during the fiscal year ended December 31, 2019, are summarized as follows:

Bond Debt Payable, January 1, 2019	$ 12,435,000
Less: Bond Principal Paid	535,000
Bond Debt Payable, December 31, 2019	$ 11,900,000

The District's bonds have been assigned an "A-" underlying rating. The Series 2013 Bonds carry an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. These ratings reflect all changes, if any, for the fiscal year ending December 31, 2019.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Bacliff Municipal Utility District, P. O. Box 8717, Bacliff, Texas 77518.

BACLIFF MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2019

	General Fund	Debt Service Fund
ASSETS		
Cash	$ 1,832,897	$ 534,510
Investments	511,375	205,397
Cash with Galveston County Tax Office		289,381
Receivables:		
Property Taxes		569,077
Penalty and Interest on Delinquent Taxes		
Service Accounts	222,882	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	$ 2,567,154	$ 1,598,365
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	$	$
Deferred Outflows - Other Postemployment Benefits		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ -0-	$ -0-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 2,567,154	$ 1,598,365

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$ 997,842	$ 3,365,249	$	$ 3,365,249
	716,772		716,772
	289,381		289,381
	569,077		569,077
		70,283	70,283
	222,882		222,882
		335,899	335,899
		1,351,074	1,351,074
		20,812,861	20,812,861
$ 997,842	$ 5,163,361	$ 22,570,117	$ 27,733,478
$	$	$ 270,394	$ 270,394
		2,021	2,021
$ -0-	$ -0-	$ 272,415	$ 272,415
$ 997,842	$ 5,163,361	$ 22,842,532	$ 28,005,893

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

BACLIFF MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2019

	General Fund	Debt Service Fund
LIABILITIES		
Accounts Payable	$ 88,391	$
Accrued Interest Payable		
Security Deposits	422,960	
Net Pension Liability		
Net Other Postemployment Benefits Liability		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	$ 511,351	$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	$	$ 1,151,334
Deferred Inflows - Pensions		
Deferred Inflows - Other Postemployment Benefits		
TOTAL DEFERRED INFLOWS OF RESOURCES	$ -0-	$ 1,151,334
FUND BALANCES		
Restricted for Authorized Construction	$	$
Restricted for Debt Service		447,031
Assigned to 2020 Budget Deficit	399,860	
Unassigned	1,655,943	
TOTAL FUND BALANCES	$ 2,055,803	$ 447,031
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,567,154	$ 1,598,365
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
$	$ 88,391	$	$ 88,391
		163,022	163,022
	422,960		422,960
		296,623	296,623
		12,906	12,906
		555,000	555,000
		11,345,000	11,345,000
$ -0-	$ 511,351	$ 12,372,551	$ 12,883,902
$	$ 1,151,334	$ (101,139)	$ 1,050,195
		6,698	6,698
		4,525	4,525
$ -0-	$ 1,151,334	$ (89,916)	$ 1,061,418
$ 997,842	$ 997,842	$ (997,842)	$
	447,031	(447,031)	
	399,860	(399,860)	
	1,655,943	(1,655,943)	
$ 997,842	$ 3,500,676	$ (3,500,676)	$ -0-
$ 997,842	$ 5,163,361		
		$ 11,597,676	$ 11,597,676
		455,431	455,431
		2,007,466	2,007,466
		$ 14,060,573	$ 14,060,573

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

BACLIFF MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total Fund Balances - Governmental Funds		$ 3,500,676
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Portions of the change in net pension liability and net other postemployment benefit liability that are not immediately recognized as pension related revenue or expense are recorded as deferred outflows and inflows of resources.		261,192
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		22,499,834
Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2018 and prior tax levies became part of recognized revenue in the governmental activities of the District.		171,422
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:		
Accrued Interest Payable	$ (163,022)	
Net Pension Liability	(296,623)	
Net Other Postemployment Benefit Liability	(12,906)	
Bonds Payable	(11,900,000)	(12,372,551)
Total Net Position - Governmental Activities		$ 14,060,573

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

THIS PAGE INTENTIONALLY LEFT BLANK

BACLIFF MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	$	$ 1,088,890
Water Service	1,024,931	
Wastewater Service	1,298,430	
Solid Waste Disposal	356,469	
Street Lighting	81,706	
Penalty and Interest	53,757	26,985
Tap Connection and Inspection Fees	131,825	
Investment and Miscellaneous Revenues	133,759	4,985
TOTAL REVENUES	$ 3,080,877	$ 1,120,860
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	$ 1,065,841	$
Professional Fees	38,053	7,595
Solid Waste Disposal	595,283	
Contracted Services		11,154
Purchased Water Service	399,918	
Utilities	205,854	
Repairs and Maintenance	177,565	
Street Lighting	68,156	
Depreciation		
Other	368,906	655
Capital Outlay	41,150	
Debt Service:		
Bond Principal		535,000
Bond Interest		505,662
TOTAL EXPENDITURES/EXPENSES	$ 2,960,726	$ 1,060,066
NET CHANGE IN FUND BALANCES	$ 120,151	$ 60,794
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - JANUARY 1, 2019	1,935,652	386,237
FUND BALANCES/NET POSITION - DECEMBER 31, 2019	$ 2,055,803	$ 447,031

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
$	$ 1,088,890	$ (1,333)	$ 1,087,557
	1,024,931		1,024,931
	1,298,430		1,298,430
	356,469		356,469
	81,706		81,706
	80,742	2,443	83,185
	131,825		131,825
16,306	155,050		155,050
$ 16,306	$ 4,218,043	$ 1,110	$ 4,219,153
$	$ 1,065,841	$ 4,250	$ 1,070,091
	45,648		45,648
	595,283		595,283
	11,154		11,154
	399,918		399,918
	205,854		205,854
	177,565		177,565
	68,156		68,156
		612,140	612,140
500	370,061		370,061
	41,150	(41,150)	
	535,000	(535,000)	
	505,662	(5,531)	500,131
$ 500	$ 4,021,292	$ 34,709	$ 4,056,001
$ 15,806	$ 196,751	$ (196,751)	$
		163,152	163,152
982,036	3,303,925	10,593,496	13,897,421
$ 997,842	$ 3,500,676	$ 10,559,897	$ 14,060,573

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

BACLIFF MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Governmental Funds	$ 196,751
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(1,333)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	2,443
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(612,140)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and decreased by disposals and the Statement of Activities is not affected.	41,150
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	535,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	5,531
The changes in the net pension liability, other postemployment benefits liability, and the deferred inflows and outflows of resources are recorded in the government-wide financial statements.	(4,250)
Change in Net Position - Governmental Activities	$ 163,152

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

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. CREATION OF DISTRICT

Bacliff Municipal Utility District was created by the filing of a petition with the Legislature of Texas requesting that the District be organized in conformity with the Constitution and Laws of the State of Texas, particularly Chapter 25, Acts of the 39th Legislature of Texas, and Chapter 217, Acts of the Regular Sessions of the 52nd Legislature of Texas, 1951. As a result of this petition, the District was authorized by Senate Bill No. 503, Acts of the 58th Legislature of Texas, 1963. The organization meeting of the District was held on August 29, 1963. This District is governed by the Board of Directors, elected by the residents of the District. The Board is composed of five members and the financial statements of the District include all operations and activities for which the Board of Directors has oversight responsibility.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the "Commission").

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether 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 statement as component units.

<u>Financial Statement Presentation</u>

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 2018 tax levy collections during the period October 1, 2018, to December 31, 2019, and taxes collected from January 1, 2019, to December 31, 2019, for the 2017 and prior tax levies. The 2019 tax levy has been fully deferred to meet planned operating expenditures for the 2020 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	40
Water System	10-45
Wastewater System	10-45
Vehicles and Equipment	3-20

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions and Other Postemployment Benefits

The District has 11 full time employees. Payments are made into the social security system for them. The Internal Revenue Service has determined that the District's directors are considered "employees" for federal payroll tax purposes only. See Notes 10 and 11 for more information on employee benefits.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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 has assigned $399,860 of the General Fund fund balance to cover a budgeted shortfall in fiscal year 2020.

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

	Series 2002	Series 2004
Amounts Outstanding – December 31, 2019	$ 1,200,000	$ 1,750,000
Interest Rates	3.25% - 3.40%	3.15% - 3.50%
Maturity Dates – Serially Beginning/Ending	September 1, 2020/2023	September 1, 2020/2025
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1, 2012*	September 1 2014*

	Series 2012	Series 2013
Amounts Outstanding – December 31, 2019	$ 2,425,000	$ 6,525,000
Interest Rates	3.00% - 4.00%	4.50% - 4.75%
Maturity Dates – Serially Beginning/Ending	September 1, 2024/2037	September 1, 2024/2037
Interest Payment Dates	March 1/ September 1	March 1/ September 1
Callable Dates	September 1 2019*	September 1 2022*

* In whole or in part, in inverse numerical order on any interest payment date thereafter at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. Series 2012 term bonds maturing September 1, 2026, September 1, 2028, September 1, 2030, September 1, 2032, September 1, 2034, and September 1, 2037, are subject to mandatory redemption beginning September 1, 2024, September 1, 2027, September 1, 2029, September 1, 2031, September 1, 2033, and September 1, 2035, respectively. Series 2013 term bonds maturing September 1, 2031, September 1, 2033 and September 1, 2037 are subject to mandatory redemption beginning September 1, 2030, September 1, 2032, and September 1, 2034, respectively.

The Series 2013 Bonds are private placement bonds with the Texas Water Development Board.

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding bonds payable for the year ended December 31, 2019:

	January 1, 2019	Additions	Retirements	December 31, 2019
Bonds Payable	$ 12,435,000	$ -0-	$ 535,000	$ 11,900,000

Amount Due Within One Year	$ 555,000
Amount Due After One Year	11,345,000
Bonds Payable	$ 11,900,000

As of December 31, 2019, the District had authorized but unissued bonds in the amount of $706,000. As of December 31, 2019, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2020	$ 555,000	$ 489,066	$ 1,044,066
2021	575,000	471,300	1,046,300
2022	590,000	452,606	1,042,606
2023	610,000	433,126	1,043,126
2024	605,000	412,534	1,017,534
2025-2029	2,920,000	1,714,927	4,634,927
2030-2034	3,520,000	1,058,488	4,578,488
2035-2037	2,525,000	232,937	2,757,937
	$ 11,900,000	$ 5,264,984	$ 17,164,984

The bonds are payable from an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. During the year ended December 31, 2019, the District levied an ad valorem debt service tax rate of $0.297621 per $100 of assessed valuation, which resulted in a tax levy of $1,050,195 on the adjusted taxable valuation of $352,555,041 for the 2019 tax year. The bond orders require the District to levy and collection an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

All property values and exempt status, if any, are determined by the 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.

NOTE 4. SIGNIFICANT BOND ORDERS AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was $3,365,249 and the bank balance was $3,374,430. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2019, as listed below:

	Cash
GENERAL FUND	$ 1,832,897
DEBT SERVICE FUND	534,510
CAPITAL PROJECTS FUND	997,842
TOTAL DEPOSITS	$ 3,365,249

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and FirstSouthwest, a Division of Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

The District invests in LOGIC, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. FirstSouthwest and JPMorgan Chase manage the daily operations of the pool under a contract with the Comptroller. LOGIC measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2019, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
GENERAL FUND		
TexSTAR	$ 110,757	$ 110,757
LOGIC	400,618	400,618
DEBT SERVICE FUND		
TexSTAR	5,397	5,397
LOGIC	200,000	200,000
TOTAL INVESTMENTS	$ 716,772	$ 716,772

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages this risk by limiting investments to the safest types of investments and pre-qualifying the financial institution and broker/dealers with which the District will do business. At December 31, 2019, the District's investments in TexSTAR and LOGIC were rated AAAm by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexSTAR and LOGIC to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	January 1, 2019	Increases	Decreases	December 31, 2019
Capital Assets Not Being Depreciated				
Land and Land Improvements	$ 335,899	$	$	$ 335,899
Construction in Progress	1,349,250	41,150	39,326	1,351,074
Total Capital Assets Not Being Depreciated	$ 1,685,149	$ 41,150	$ 39,326	$ 1,686,973
Capital Assets Subject to Depreciation				
Buildings, Vehicles, and Equipment	$ 2,136,186	$ 39,326	$	$ 2,175,512
Water System	9,213,401			9,213,401
Wastewater System	17,365,239			17,365,239
Total Capital Assets Subject to Depreciation	$ 28,714,826	$ 39,326	$ -0-	$ 28,754,152
Less Accumulated Depreciation				
Buildings, Vehicles, and Equipment	$ 939,322	$ 69,293	$	$ 1,008,615
Water System	1,892,747	194,592		2,087,339
Wastewater System	4,497,082	348,255		4,845,337
Total Accumulated Depreciation	$ 7,329,151	$ 612,140	$ -0-	$ 7,941,291
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 21,385,675	$ (572,814)	$ -0-	$ 20,812,861
Total Capital Assets, Net of Accumulated Depreciation	$ 23,070,824	$ (531,664)	$ 39,326	$ 22,499,834

NOTE 7. SURFACE WATER SUPPLY CONTRACT

On August 7, 1981, the District executed an agreement with the Galveston County Water Authority, presently known as the Gulf Coast Water Authority (the "Authority"). This agreement was amended on September 14, 1981, September 10, 1984, June 16, 1998, March 15, 2001, June 16, 2011, and May 1, 2014. The term of the agreement is through December 31, 2027. The District's total reserved capacity is currently 1,190,000 gallons-per-day in the original mainland portion of the water plant and its current contract quantity is 613,000 gallons-per-day. The contract allows the Authority to acquire, construct and operate a water treatment plant and related water supply system in order to provide potable water to its customers. Charges to the District include its allocation of raw water charges, capital charges and operating and maintenance charges. The District's purchased water costs totaled $399,918.

NOTE 8. STREET LIGHTING

The District assesses the cost of installation, operating and maintaining the street lighting as an additional charge on the monthly billings of the District's customers. The current street lighting charge is $2.00 per month. During the current year, the District recorded $81,706 in revenues and $68,156 in costs related to street lighting.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the District's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. At December 31, 2018, the most recent valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled but not yet receiving benefits	3
Active employees	11

NOTE 10. PENSION PLAN (Continued)

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer contributed using the actuarially determined rate of 7.13% for calendar year 2019. The deposit rate payable by the employee members for calendar year 2019 is 7.00% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Annual Pension Cost

For the District's accounting year ended December 31, 2019, the annual pension cost for the TCDRS plan for its employees was \$92,795 and the actual contributions were \$92,795. The employees contributed \$49,262 to the plan for the 2019 fiscal year. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB parameters based on the actuarial valuations as of December 31, 2018, the basis for determining the contribution rates for calendar year 2019. The December 31, 2018 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/16	12/31/17	12/31/18
Actuarial cost method	Entry age	Entry age	Entry Age
Amortization method	Level percentage, closed	Level percentage, closed	Level percentage, closed
Amortization period	15.1	16.2	16.3
Asset valuation method	5 Year Smoothed Value	5 Year Smoothed Value	5 Year Smoothed Value
Actuarial Assumptions:			
Investment return [1]	8.00%	8.00%	8.00%
Projected salary increases [1]	4.90%	4.90%	4.90%
Inflation	3.00%	2.75%	2.75%
Cost-of-living adjustments	0.00%	0.00%	0.00%

[1] Includes inflation at the stated rate.

NOTE 10. PENSION PLAN (Continued)

Net Pension Liability

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions above, except as noted. The discount rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. The actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

Mortality rates were based on the following:

Depositing members - The RP-2014 Active Employee Mortality Table for males with a two-year set-forward and the RP-2014 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Service retirees, beneficiaries and non-depositing members - The RP-2014 Combined Mortality Table with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees - RP-2014 Disabled Mortality Table with scale AA and then projected with 110% of the MO-2014 Ultimate scale after that with no age adjustment for males and a two-year set-forward for females.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The numbers shown are based on January 2019 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon.

NOTE 10. PENSION PLAN (Continued)

Net Pension Liability (Continued)

The most recent analysis was performed in 2017.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	10.50%	5.40%
Private Equity	18.00%	8.40%
Global Equities	2.50%	5.70%
International Equities-Developed Markets	10.00%	5.40%
International Equities-Emerging Markets	7.00%	5.90%
Investment-Grade Bonds	3.00%	1.60%
Strategic Credit	12.00%	4.39%
Direct Lending	11.00%	7.95%
Distressed Debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	3.00%	5.35%
Private Real Estate Partnerships	6.00%	6.30%
Hedge Funds	13.00%	3.90%

Sensitivity Analysis **-** The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	$ 2,866,990	$ 2,528,382	$ 2,239,330
Fiduciary net position	2,231,759	2,231,759	2,231,759
Net pension liability (asset)	$ 635,231	$ 296,623	$ 7,571

NOTE 10. PENSION PLAN (Continued)

Net Pension Liability (Continued)

The Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net position (b)	Net Pension Liability (a)-(b)
Balances of December 31, 2017	$ 2,296,645	$ 2,195,943	$ 100,702
Changes for the year:			
Service cost	61,120		61,120
Interest on total pension liability	190,163		190,163
Effect of economic/demographic (gains) or losses	1,008		1,008
Refund of contributions	(11,175)	(11,175)	
Benefit payments	(9,376)	(9,376)	
Administrative expenses		(1,793)	1,793
Member Contributions		47,445	(47,445)
Net Investment income		(40,070)	40,070
Employer contributions		48,326	(48,326)
Other		2,462	(2,462)
Balances of December 31, 2018	$ 2,528,385	$ 2,231,762	$ 296,623

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	**Deferred Outflows of Resources**
Differences between expected and actual experience	$ 6,698	$ 20,729
Changes in assumptions and other inputs	-0-	10,020
Net difference between projected and actual earnings	-0-	146,850
Contributions made subsequent to measurement date	-0-	92,795
Total	6,698	270,394

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $92,795 will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	$ 67,588
2020	31,166
2021	28,286
2022	43,693
2023	168
Thereafter	-0-

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

The District participates in a cost-sharing multiple-employer defined benefit group term life insurance plan operated by the TCDRS. This plan is referred to as the Group Term Life Fund (GTL). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. Contributions made to the retiree GTL Program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $5,000. The GTL covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 and as such the GTL is considered an unfunded OPEB plan. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. This report is available at TCDRS' website at www.TCDRS.org.

The District contributes to the GTL fund at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the GTL fund program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employee's entire career.

Each participating employer contributes to the GTL fund at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District's contributions for the year ending December 31, 2019 were $1,619.

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled but not yet receiving benefits	-0-
Active employees	11

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial investigation of the experience of TCDRS over the period from January 1, 2013 - December 31, 2016.

The assumptions are summarized below:

Inflation – does not apply

Salary Increases – does not apply

Investment Rate of Return (Discount Rate) – 4.10% based on Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 27, 2018

Administrative expenses - All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Mortality rates were based on the following:

Depositing members – 90% of the RP-2014 active employee mortality table for males and 90% of the RP-2014 active employee mortality table for females, projected with 110% of the MP-2014 ultimate scale after 2014.

Service retirees – 130% of the RP-2014 healthy annuitant mortality table for males and 110% of the RP-2014 healthy annuitant mortality table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Disabled retirees – 130% of the RP-2014 healthy annuitant mortality table for males and 115% of the RP-2014 healthy annuitant mortality table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.

Discount Rate

The total OPEB liability was determined by an actuarial valuation as of the measurement date, calculated based on the discount rate and actuarial assumptions discussed below. The discount rate reflects the long-term rate of return funding valuation assumption of 4.10%. The TCDRS GTLF is treated as an unfunded OPEB plan because the GTLF covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.10% based on an index of tax exempt 20-year municipal bond rates rated as AA or higher is used as of the measurement date of December 31, 2018. As of December 31, 2018, the discount rate used in the development of the Total OPEB Liability was 4.10% compared to 3.44% as of December 31, 2017.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Change in Total OPEB Liability for measurement year ended December 31, 2018 are as follows:

	Total OPEB Liability
Balances of December 31, 2017	$ 13,512
Changes for the year:	
Service Costs	839
Interest on total OPEB liability	491
Effect of economic.demographic experience	(166)
Effect of assumptions changes or inputs	(1,634)
Benefit payments	(136)
Balances of December 31, 2018	$ 12,906

For the year ended December 30, 2019, the District recognized OPEB expense of $682.

Sensitivity Analysis – The following presents the net OPEB liability of the District, calculated using the discount rate of 4.10%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current rate.

	1% Decrease 3.10%	Current Discount Rate 4.10%	1% Increase 5.10%
Total OPEB Liability	$ 15,481	$ 12,906	$ 10,842

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 3,095	$
Changes in assumptions and other inputs	1,430	402
Contributions subsequent to the measurement date		1,619
Total	$ 4,525	$ 2,021

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year ended December 31:	
2019	$ (589)
2020	(589)
2021	(589)
2022	(589)
2023	(589)
Thereafter	(1,178)

NOTE 12. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which are likely to have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

APPENDIX B

Specimen Municipal Bond Insurance Policy

THIS PAGE LEFT BLANK INTENTIONALLY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company