

OFFICIAL STATEMENT DATED JUNE 16, 2021

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER "TAX MATTERS – TAX EXEMPTION" HEREIN, WHICH INCLUDES A DISCUSSION OF THE OPINION OF BOND COUNSEL.

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

NEW ISSUE – Book Entry Only

Underlying Rating: S&P "A-" (Stable Outlook)
Insured Rating (AGM): S&P "AA" (Stable Outlook)
(see "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein)

\$4,000,000
GALVESTON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 8
(A political subdivision of the State of Texas located within Galveston County)
UNLIMITED TAX BONDS, SERIES 2021

Dated: July 1, 2021

Due: April 1, as shown below

Principal of the bonds described above (the "Bonds") will be payable at maturity or earlier redemption at the principal payment office of the Paying Agent/Registrar, initially Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will accrue from July 1, 2021 and be payable April 1, 2022 (nine months of interest), and each October 1 and April 1 thereafter, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in fully registered form only in denominations of \$5,000 each or integral multiples thereof. The Bonds will be subject to redemption prior to maturity as described herein.

The Bonds will be registered and delivered only 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 (as defined herein under "BOOK-ENTRY-ONLY SYSTEM") of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the DTC participants. 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. See "BOOK-ENTRY-ONLY SYSTEM."



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

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

Table with 5 columns: Due April 1, Principal Amount, Interest Rate, Initial Reoffering Yield (a), and CUSIP Number 364334 (b). Rows include years 2023 through 2028 with corresponding principal amounts and interest rates.

\$225,000 Term Bonds due April 1, 2030 (c), 364334 LK6 (b), 1.250% Interest Rate, 1.400% Yield (a)
\$330,000 Term Bonds due April 1, 2033 (c), 364334 LN0 (b), 2.000% Interest Rate, 1.700% Yield (a)
\$340,000 Term Bonds due April 1, 2036 (c), 364334 LR1 (b), 2.000% Interest Rate, 1.900% Yield (a)
\$340,000 Term Bonds due April 1, 2039 (c), 364334 LU4 (b), 2.000% Interest Rate, 2.100% Yield (a)
\$360,000 Term Bonds due April 1, 2041 (c), 364334 LW0 (b), 2.000% Interest Rate, 2.200% Yield (a)
\$485,000 Term Bonds due April 1, 2043 (c), 364334 LY6 (b), 2.125% Interest Rate, 2.250% Yield (a)
\$1,225,000 Term Bonds due April 1, 2046 (c), 364334 MB5 (b), 2.125% Interest Rate, 2.300% Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from July 1, 2021, is to be added to the price.
(b) CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(c) Bonds maturing on and after April 1, 2028, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on April 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as described herein. See "THE BONDS - Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Galveston County Water Control & Improvement District No. 8 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Galveston County, the City of Santa Fe or any entity other than the District. Investment in the Bonds is subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Bacon, Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about July 15, 2021.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

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 relevant information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser, and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT – Updating the Official Statement."

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information 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 was created by the State Board of Water Engineers (predecessor to the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”) on November 10, 1945 and became active on January 13, 1959. The District presently contains approximately 1,198 acres of land and lies within the corporate limits of the City of Santa Fe. See “THE DISTRICT.”
- Status of Development* Land within the District has been developed for single-family residential, multi-family residential, commercial and industrial usage. As of April 30, 2021, the District consisted of 1,954 occupied single-family connections, 93 vacant single-family connections, 16 multi-family connections (consisting of 355 units), 213 commercial connections, and 8 school connections.
- Payment Record*..... The District has previously issued two series of combined unlimited tax and revenue bonds, eight series of unlimited tax bonds, and two series of unlimited tax refunding bonds, of which an aggregate principal amount of \$10,245,000 is currently outstanding (the “Outstanding Bonds”). The District has never defaulted on the payment of principal and interest on the previously issued bonds.

THE FINANCING

- Description* Galveston County Water Control & Improvement District No. 8 Unlimited Tax Bonds, Series 2021, in the aggregate principal amount of \$4,000,000 maturing serially on April 1 in each year 2023 through 2028, both inclusive, and as term bonds on April 1 in each of the years 2030, 2033, 2036, 2039, 2041, 2043 and 2046 (the “Term Bonds”). The Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof maturing on April 1 in the years and amounts set forth on the cover page hereof. Interest on the Bonds will accrue from July 1, 2021, at the rates per annum set forth on the cover page hereof, and will be payable April 1, 2022 (nine months of interest), and each October 1 and April 1 thereafter, until maturity or prior redemption. See “THE BONDS – General.”
- Redemption Provisions* Bonds maturing on and after April 1, 2028 are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on April 1, 2027, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds also are subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS – Redemption Provisions.”
- Book-Entry-Only System*..... The Depository Trust Company (“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 (“Registered Owner”). One fully-registered certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”
- Use of Proceeds*..... Proceeds from the sale of the Bonds will be used to pay for items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including to capitalize six months of interest, and to pay certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- Source of and Security for Payment*..... Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of

Texas, Galveston County, the City of Santa Fe or any entity other than the District. See “THE BONDS – Source of and Security for Payment.”

Qualified Tax-Exempt

Obligations The District has designated (or will deem designated) the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

Authority for Issuance..... The Bonds are the third series of bonds issued out of an aggregate of \$23,500,000 principal amount of unlimited tax bonds authorized by the District’s voters on November 5, 2019, for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, all of which may be used for refunding purposes. The Bonds are being issued pursuant to an order of the TCEQ, the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, and the general laws of the State of Texas (the “State”). See “THE BONDS – Authority for Issuance.”

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 ratings 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 the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. (“AGM”). S&P Global ratings, a business unit of Standard and Poor’s Financial Services LLC (“S&P”) has assigned an underlying rating of “A-” (stable outlook) to the Bonds. An explanation of the significance of such rating may be obtained from S&P. This rating reflects only the views of S&P, and the District makes no representation as to the appropriateness of such rating. Further, there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely, if in the sole judgment of S&P circumstances so warrant. Any such downward revisions or withdrawal of the rating may have an adverse effect on the trading value and the market price of the Bonds. See “INVESTMENT CONSIDERATIONS – Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

Infectious Disease Outlook

(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.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and may 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 or homebuilding activity 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 the Pandemic 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 partially 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.

Bond Counsel..... Bacon, Wallace & Philbin, L.L.P., Houston, Texas.

Disclosure Counsel..... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

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

Paying Agent/Registrar..... Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment risks, and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2020 Taxable Assessed Valuation.....	\$237,946,083 (a)
Preliminary Taxable Assessed Valuation as of January 1, 2021.....	\$291,986,556 (b)
Gross Debt Outstanding (after issuance of the Bonds).....	\$14,245,000
Estimated Overlapping Debt.....	15,495,622 (c)
Gross Debt Outstanding and Estimated Overlapping Debt.....	<u>\$29,740,622</u>
Ratio of Gross Debt to:	
2020 Certified Taxable Assessed Valuation.....	5.99%
Preliminary Taxable Assessed Valuation as of January 1, 2021.....	4.88%
Ratio of Gross Debt and Estimated Overlapping Debt to:	
2020 Certified Taxable Assessed Valuation.....	12.50%
Preliminary Taxable Assessed Valuation as of January 1, 2021.....	10.19%
<u>Funds Available</u> (Unaudited as of April 30, 2021):	
Operating Fund.....	\$1,272,483
Capital Projects Fund.....	\$4,711,409
Debt Service Fund.....	\$327,307 (d)
2020 Debt Service Tax Rate.....	\$0.21237
2020 Maintenance and Operations Tax Rate.....	0.08515
Total.....	<u>\$0.29752</u>
Average Annual Debt Service Requirements (2022-2046) of the Bonds and the Outstanding Bonds ("Average Requirement").....	\$752,436
Taxrate required to pay Average Requirement based upon:	
2020 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$0.3329 /\$100 A.V.
Preliminary Taxable Assessed Valuation as of January 1, 2021 at a 95% collection rate.....	\$0.2713 /\$100 A.V.
Maximum Annual Debt Service Requirements (2023) of the Bonds and the Outstanding Bonds ("Maximum Requirement").....	\$760,487
Taxrate required to pay Maximum Requirement based upon:	
2020 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$0.3365 /\$100 A.V.
Preliminary Taxable Assessed Valuation as of January 1, 2021 at a 95% collection rate.....	\$0.2742 /\$100 A.V.
<u>Status of Water Connections</u> (as of April 30, 2021)	
Single-family residential occupied.....	1,954
Single-family residential vacant.....	93
Multifamily (355 units).....	16
Commercial.....	213
Other.....	8
Total.....	<u>2,284</u>
Estimated 2021 Population.....	7,549 (e)

- (a) As certified by the Galveston Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of taxable improvements on January 1, 2020. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2020 and January 1, 2021 will be certified as of January 1, 2021 and provided for purposes of taxation in the fall of 2021. See "TAXING PROCEDURES."
- (c) See "ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES."
- (d) Neither the Bond Order nor Texas law requires that the District maintain any particular balance of funds.
- (e) Based upon 3.5 persons per occupied single-family residence and 2.0 person per apartment unit.

OFFICIAL STATEMENT

\$4,000,000

GALVESTON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 8

(A political subdivision of the State of Texas located within Galveston County)

UNLIMITED TAX BONDS, SERIES 2021

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Galveston County Water Control & Improvement District No. 8 (the “District”) of its \$4,000,000 Unlimited Tax Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Directors of the District (the “Board”), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality (the “TCEQ”) and general laws of the State of Texas (the “State”) relating to the issuance of bonds by political subdivisions.

This Official Statement includes descriptions of, among others, the Bonds, 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 Bacon, Wallace & Philbin, L.L.P. (“Bond Counsel”), 6363 Woodway, Suite 800, Houston, Texas 77057, upon the payment of the costs of duplication thereof.

THE BONDS

General

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

The Bonds are dated July 1, 2021 and mature on April 1 in the years and amounts set forth on the cover page hereof. Interest on the Bonds accrues from July 1, 2021 at the rates per annum set forth on the cover hereof and is payable April 1, 2022 (nine months of interest), and each October 1 and April 1 thereafter, until maturity or prior redemption. Interest is computed based on a 360-day year of twelve 30-day months. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the “Paying Agent/Registrar,” “Paying Agent,” or “Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

Authority for Issuance

At an election held on November 5, 2019 within the District, the voters of the District authorized the issuance of \$23,500,000 of wastewater and storm sewer unlimited tax bonds, all of which may be used for refunding purposes. After the issuance of the Bonds, the District will have \$14,910,000 in authorized bonds remaining unissued. See “Issuance of Additional Debt.”

The Bonds are being issued by the District pursuant to the terms and conditions of the Bond Order, an order of the TCEQ, Article XVI, Section 59 of the Texas Constitution, the general laws of the State including Chapters 49 and 51 of the Texas Water Code, as amended, and the general laws of the State of Texas. Before the Bonds can be issued, the Attorney General of Texas must pass on 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.

The Bonds represent the second installment of \$8,500,000 in bonds approved by order of the TCEQ on June 15, 2020, which order was extended until May 10, 2022. See “INVESTMENT CONSIDERATIONS – Future Debt.”

Source of and Security for Payment

The Bonds (together with the Outstanding Bonds) are payable from and secured by a pledge of the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “TAXING PROCEDURES.” The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds.

The Bonds are obligations of the District and are not obligations of the State of Texas, Galveston County, the City of Santa Fe, 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.

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

No Arbitrage

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

Record Date

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on April 1 in the years 2030, 2033, 2036, 2039, 2041, 2043 and 2046 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on April 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

<u>\$225,000 Term Bonds</u> <u>Due April 1, 2030</u>		<u>\$330,000 Term Bonds</u> <u>Due April 1, 2033</u>		<u>\$340,000 Term Bonds</u> <u>Due April 1, 2036</u>		<u>\$340,000 Term Bonds</u> <u>Due April 1, 2039</u>	
<u>Mandatory</u> <u>Redemption</u> <u>Date (4/1)</u>	<u>Principal</u> <u>Amount</u>	<u>Mandatory</u> <u>Redemption</u> <u>Date (4/1)</u>	<u>Principal</u> <u>Amount</u>	<u>Mandatory</u> <u>Redemption</u> <u>Date (4/1)</u>	<u>Principal</u> <u>Amount</u>	<u>Mandatory</u> <u>Redemption</u> <u>Date (4/1)</u>	<u>Principal</u> <u>Amount</u>
2029	\$110,000	2031	\$110,000	2034	\$115,000	2037	\$115,000
2030 (Maturity)	115,000	2032	110,000	2035	110,000	2038	110,000
		2033 (Maturity)	110,000	2036 (Maturity)	115,000	2039 (Maturity)	115,000
<u>\$360,000 Term Bonds</u> <u>Due April 1, 2041</u>		<u>\$485,000 Term Bonds</u> <u>Due April 1, 2043</u>		<u>\$1,225,000 Term Bonds</u> <u>Due April 1, 2046</u>			
<u>Mandatory</u> <u>Redemption</u> <u>Date (4/1)</u>	<u>Principal</u> <u>Amount</u>	<u>Mandatory</u> <u>Redemption</u> <u>Date (4/1)</u>	<u>Principal</u> <u>Amount</u>	<u>Mandatory</u> <u>Redemption</u> <u>Date (4/1)</u>	<u>Principal</u> <u>Amount</u>		
2040	\$110,000	2042	\$245,000	2044	\$240,000		
2041 (Maturity)	250,000	2043 (Maturity)	240,000	2045	235,000		
				2046 (Maturity)	750,000		

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such Term Bonds that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Order. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this.

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after April 1, 2028, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on April 1, 2027, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See “BOOK-ENTRY-ONLY SYSTEM.” Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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

Registration and Transfer

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

Method of Payment of Principal and Interest

The Board has appointed Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, having its principal corporate trust office and its principal payment office in Houston, Texas, as the initial Paying Agent/Registrar for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

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

On November 5, 2019, District voters approved the issuance of a total of \$23,500,000 of unlimited tax bonds, for water, sewer, and drainage facilities, all of which may be used for refunding such bonds. After issuance of the Bonds, the District will have a total of \$14,910,000 principal amount of unlimited tax bonds authorized but unissued for water, sewer, and drainage facilities

and for refunding such bonds remaining from its November 5, 2019 election. 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. The TCEQ approved a total of \$8,500,000 principal amount of bonds to be issued by the District. The District has previously issued \$4,500,000 of such bonds. The District is currently issuing the remaining \$4,000,000 balance. The District utilized \$90,000 of voted bond authorization in issuing its Series 2020 Refunding Bonds. See "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The District has not considered authorizing preparation of a park plan nor calling a park bond election at this time.

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

The District also 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) approval of a detailed fire plan by the TCEQ; (b) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (c) approval of the bonds for such purpose by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. The Board has not considered preparing a fire plan or calling such an election at this time.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently is not contemplating consolidation.

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

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

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with other such investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

BOOK-ENTRY-ONLY SYSTEM

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

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds 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. With respect to the Bonds, one fully-registered Bond certificate will be issued of each such series for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating from S&P Global Ratings of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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THE DISTRICT

General

The District is a water control and improvement district created by an order of the State Board of Water Engineers of Texas (predecessor agency to the TCEQ), adopted on November 10, 1945. The District, which became active on January 13, 1959, operates under Chapters 49 and 51 of the Texas Water Code and other general statutes applicable to water control and improvement districts. The District is located in the corporate limits of the City of Santa Fe, Texas (the “City of Santa Fe” or the “City”) and within the boundaries of the Santa Fe Independent School District.

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 empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City, the Commission and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City of Santa Fe which limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, fire-fighting facilities and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of Santa Fe of District construction plans; and permit connections only to platted lots and reserves which have been approved by the Planning Commission of the City of Santa Fe. Construction and operation of the District’s drainage system are subject to the regulatory jurisdiction of additional government agencies. See “THE SYSTEM.”

Status of Development

The District contains approximately 1,341 acres. Substantially all of the developable land in the District has been developed. The District is located in Galveston County, approximately 12 miles west of the City of Texas City, approximately 19 miles northwest of the City of Galveston, and wholly within the city limits of the City of Santa Fe. State Highway 6 bisects the District from southeast to northwest. The City of Santa Fe does not provide water or sewer services, and the District is charged with the responsibility of providing water and sewer services to users within the District’s boundaries.

Residential/Multi-family Development: Land within the District has been developed for single-family residential and multi-family residential usage. As of April 30, 2021, the District consisted of 1,954 occupied single-family connections, 93 vacant single-family connections and 16 multi-family connections (consisting of 355 units).

Commercial Development: The District contains retail, commercial and light industrial development. There are 213 commercial connections in the District. Manufacturers located within the District are involved in the production of oil field tools, boat trailers, sheet metal and concrete products.

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MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. All of the Directors listed below reside within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors' elections are held only in May of even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
C.T. "Tommy" Anderson	President	May 2022
William "Fritz" Barnett	Vice President	May 2022
David "Keith" Tyner	Secretary/Treasurer	May 2024
Bob Wylie	Assistant Secretary/Treasurer	May 2022
Ralph W. Stenzel Jr.	Director	May 2024

District Management

The District provides its own utility system management, operating and bookkeeping services. The District employs 2 executive managers, 5 licensed operators, 3 service personnel and 3 office personnel. Executive management personnel is listed below:

General Manager: *James Newman*

Bookkeeper/Office Manager: *Dee Ann Hedgpeth*

As of October 1, 2018, the District began providing retirement, disability and death benefits for all of its full-time employees through a non-traditional defined benefit plan in the state-wide Texas County and District Retirement System. For the fiscal year ended December 31, 2020, the contribution rate of the District was 9.33% and the contribution rate for employees was 7%. See "NOTE 8 - DEFINED BENEFIT PENSION PLAN" in "APPENDIX A" for a description of the defined benefit plan.

District Consultants

Bond Counsel and General Counsel: Bacon, Wallace & Philbin, L.L.P. serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Bacon, Wallace & Philbin, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

Financial Advisor: Post Oak Municipal Advisors LLC 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 annual audit is filed with the TCEQ. The District's financial statements for the year ended December 31, 2020 were audited by Knox Cox & Company, L.L.P., Sugar Land, Texas. See "APPENDIX A" for a copy of the District's December 31, 2020 financial statements.

Engineer: The District's consulting engineer is Sander Engineering Corporation (the "Engineer").

Tax Appraisal and Collections: The Galveston Central Appraisal District has the responsibility of appraising all property within the District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Santa Fe Independent School District is currently serving in this capacity for the District. See "TAXING PROCEDURES."

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the TCEQ and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Galveston County Flood Control District, the City of Santa Fe, Galveston County and, in some instances, the Commission. Galveston County and the City of Santa Fe also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water, Sanitary Sewer and Drainage Facilities

Source of Water Supply: The District purchases treated surface water from the Gulf Coast Water Authority ("GCWA") under a contract that reserves a maximum capacity of 1,000,000 gallons per day (gpd). The contract with GCWA has a "take or pay" provision which requires that the District pay for 575,000 gpd whether or not that quantity is used. The District also has three wells with a total capacity of 1,627 gallons per minute (gpm) that are used as a stand-by and emergency water supply. The wells are permitted by the Harris-Galveston Subsidence District to pump up to 20% of the District's annual water use or 20.0 million gallons per year. The District's water system also includes a 15,000 gallon hydro-pneumatic tank, 697,000 gallons of ground storage, a 400,000 gallon elevated storage tank and 6 booster pumps, each with a capacity of 500 gpm. The District has received approval from the TCEQ for an Alternative Minimum Capacity Requirement that is 66% of the standard TCEQ requirements for potable systems. With the alternative requirements, the current system is sufficient to serve a total of 4,750 connections without additional construction. The District currently serves 2,284 connections.

Source of Wastewater Treatment: The District owns and operates a 1,500,000 gpd wastewater treatment plant. The wastewater treatment plant has the capacity to treat the waste from a total of approximately 5,000 connections.

Drainage: In general, storm water runoff is by sheet flow or swales from the land area to roadside ditches. The roadside ditches convey the storm water runoff to drainage ditches and natural channels in the District maintained and operated by either the Army Corps of Engineers or Galveston County Drainage District No. 1. The drainage ditches collect and convey the storm water runoff to Galveston Bay.

100-Year Flood Plain: Approximately 28.5 acres of developed land is located within the FEMA 100-year flood plain. Included in this developed acreage are residential homes that have been elevated to reduce the impact of flooding. Approximately 48 acres of undeveloped land are also located within the FEMA 100-year flood plain. This undeveloped acreage includes developable and undevelopable land. See "INVESTMENT CONSIDERATIONS—Hurricane Harvey."

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USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$3,515,104 is estimated for construction costs, \$256,579 is estimated for non-construction costs and \$228,317 is estimated for issuance cost and fees.

<u>I. CONSTRUCTION COSTS</u>	
• Construction of New Trunk Sewer Line.....	\$ 1,590,000
• Water Plant No. 1 – Water Well Acquisition.....	1,000,000
• Water Plant No. 1 – Ground Storage Tank.....	400,000
• Engineering.....	142,500
• Construction Contingencies.....	382,604
TOTAL CONSTRUCTION COSTS.....	\$ 3,515,104
<u>II. NON-CONSTRUCTION COSTS</u>	
• Capitalized Interest.....	\$ 75,207
• Bond Discount.....	101,504
• Contingencies (a).....	79,868
TOTAL NON-CONSTRUCTION COSTS.....	\$ 256,579
<u>III. ISSUANCE COSTS AND FEES</u>	
• Legal Fees (2.5%).....	\$ 100,000
• Financial Advisor Fees.....	77,500
• Bond Issuance Expenses.....	26,817
• TCEQ Fee (0.25% of BIR).....	10,000
• Bond Application Report Fee.....	10,000
• Attorney General Fee (0.1% of BIR w/ max \$9,500).....	4,000
TOTAL ISSUANCE COSTS AND FEES.....	\$ 228,317
 TOTAL BOND ISSUE REQUIREMENT.....	 <u>\$ 4,000,000</u>

(a) Contingency represents the difference in the estimated and actual amount of Capitalized Interest and Bond Discount.

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

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization (a)</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
11/5/2019	Water, Sewer and Drainage Bonds & Refunding	\$ 8,500,000	\$ 8,500,000 (b)	\$ -
11/5/2019	Water, Sewer and Drainage Bonds & Refunding	\$ 15,000,000	\$ 90,000 (c)	\$ 14,910,000
		<u>\$ 23,500,000</u>		<u>\$ 14,910,000</u>

(a) Voted as separate propositions.

(b) Includes the Bonds.

(c) The Series 2020 Refunding Bonds utilized \$90,000 of this authorization.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2020 Taxable Assessed Valuation.....	\$237,946,083 (a)
Preliminary Taxable Assessed Valuation as of January 1, 2021.....	\$291,986,556 (b)
District Debt:	
Outstanding Bonds (as of April 30, 2021).....	\$10,245,000
The Bonds.....	<u>4,000,000</u>
Gross Direct Debt Outstanding (after issuance of Bonds).....	\$14,245,000
Ratio of Gross Debt to 2020 Certified Taxable Assessed Valuation.....	5.99%
Ratio of Gross Debt to Preliminary Taxable Assessed Valuation as of January 1, 2021.....	4.88%

- (a) As certified by the Galveston Central Appraisal District. See "TAXING PROCEDURES."
 (b) Provided by the Appraisal District for information purposes only. Such amount reflects the estimated value of taxable improvements on January 1, 2020. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2020 and January 1, 2021 will be certified as of January 1, 2021 and provided for purposes of taxation in the fall of 2021. See "TAXING PROCEDURES."

Cash and Investment Balances (Unaudited as of April 30, 2021)

Operating Fund	Cash and Temporary Investments	\$1,272,483
Capital Projects Fund	Cash and Temporary Investments	\$4,711,409
Debt Service Fund	Cash and Temporary Investments	\$327,307 (a)

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

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield 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's investment portfolio.

Outstanding Bonds (As of April 30, 2021)

Series	Original Principal Amount	Principal Amount Outstanding as of April 30, 2021
2017	\$1,426,000	\$1,345,000
2019 (a)	1,465,000	1,385,000
2020 (a)	3,165,000	3,050,000
2020	4,500,000	4,465,000
Total Bonds Outstanding		<u><u>\$10,245,000</u></u>

- (a) Unlimited Tax Refunding Bonds.

ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES

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	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
College of the Mainland.....	\$169,055,000	4/30/21	1.87%	\$3,161,329
Galveston County.....	210,083,482	4/30/21	0.70%	1,470,584
Santa Fe ISD.....	78,015,000	4/30/21	13.12%	10,235,568
City of Santa Fe.....	2,415,000	4/30/21	26.01%	628,142
Total Estimated Overlapping Debt.....				\$15,495,622
The District.....	\$14,245,000 (a)	4/30/21	100.00%	14,245,000
Total Direct and Estimated Overlapping Debt.....				\$29,740,622

Ratio of Total Direct and Estimated Overlapping Debt to:

2020 Taxable Assessed Valuation.....	12.50%
Preliminary Taxable Assessed Valuation as of January 1, 2021.....	10.19%

(a) Includes the Bonds.

Overlapping Taxes for 2020

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, certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are the taxes levied for the 2020 tax year by all entities overlapping the District and the District’s 2020 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions or any other levy of entities other than political subdivisions.

	2020 Tax Rate per \$100 of Taxable Assessed Valuation
College of the Mainland.....	\$0.241963
Galveston County.....	0.465128
Santa Fe ISD.....	1.281600
City of Santa Fe.....	0.294043
Total Overlapping Tax Rate.....	\$2.282734
The District (a)	0.297520
Total Tax Rate.....	\$2.580254

(a) The District has levied a total 2020 tax rate in the amount of \$0.29752 per \$100 of taxable assessed valuation with \$0.21237 allocated to debt service and \$0.08515 allocated to maintenance and operations. See “TAX DATA – Tax Rate Distribution.”

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. For the 2020 tax year, the Board levied a debt service tax in the amount of \$0.21237 per \$100 taxable assessed valuation. See “Tax Rate Distribution” and “Tax Roll Information” below.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements, if such maintenance tax is authorized by vote of the District’s electors. Pursuant to an election held on November 2, 1999, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.30 per \$100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District’s Outstanding Bonds and the Bonds. For tax year 2020, the Board levied a maintenance tax in the amount of \$0.08515 per \$100 taxable assessed valuation. See “Tax Rate Distribution” below.

Tax Rate Distribution

	2020	2019	2018	2017	2016
Debt Service	\$0.21237	\$0.19720	\$0.19380	\$0.17600	\$0.18730
Maintenance and Operations	0.08515	0.09750	0.09750	0.09400	0.06120
Total	\$0.29752	\$0.29470	\$0.29130	\$0.27000	\$0.24850

Historical Tax Collections

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

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Tax Levy (b)	Collections as of April 30, 2021 (c)	
				Amount	Percent
2016	\$175,264,616	\$0.24850	\$435,533	\$432,699	99.35%
2017	185,860,477	0.27000	501,823	497,859	99.21%
2018	191,951,940	0.29130	559,156	554,148	99.10%
2019	203,442,251	0.29470	599,544	589,380	98.30%
2020	237,946,083	0.29752	689,954	659,627	95.60%

- (a) As certified by the Galveston Central Appraisal District. See “TAX DATA – Tax Roll Information” for gross appraised value, deferments and exemptions granted by the District and the Galveston Central Appraisal District.
- (b) Represents actual tax levy, including any adjustments by the Galveston Central Appraisal District, as of the date hereof.
- (c) Unaudited.

Tax Exemptions

As discussed in the section titled “TAXING PROCEDURES” in the Official Statement, certain property in the District may be exempt from taxation by the District. For tax year 2021, the District has granted a \$10,000 exemption for residential homesteads of persons who are disabled or 65 years of age or over and a twenty percent (20%) residential homestead exemption.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of 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 Tax Code.

Tax Roll Information

The District’s appraised 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 2016 through 2020 Taxable Assessed Valuations. A breakdown of the Preliminary Taxable Assessed Valuation as of January 1, 2021 is not available from the Appraisal District. Differences in totals may vary slightly from other information herein due to differences in dates of data. Taxes are levied on taxable value certified by the Galveston Central Appraisal District as of January 1 of each year.

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$73,070,614	\$43,669,781	\$43,358,601	\$42,305,091	\$42,142,191
Improvements	246,804,314	206,426,375	196,815,584	186,877,057	147,906,545
Personal Property	15,826,859	15,517,677	15,591,711	15,277,841	14,822,141
(Exemptions)	<u>(97,755,704)</u>	<u>(62,171,582)</u>	<u>(63,813,956)</u>	<u>(58,599,512)</u>	<u>(29,606,261)</u>
Total Assessed Valuation	\$237,946,083	\$203,442,251	\$191,951,940	\$185,860,477	\$175,264,616

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property’s certified assessed value as a percentage of the 2020 Taxable Assessed Valuation of \$237,946,083, which represents certified ownership as of January 1, 2020. Differences in totals may vary slightly from other information herein due to differences in dates of data.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2020 Taxable Assessed Valuation</u>	<u>% of 2020 Taxable Assessed Valuation</u>
The Village Manor	Multi-Family	\$2,520,000	1.06%
Individual	Commercial & Retail	2,200,000	0.92%
CenterPoint Energy	Utility	1,629,520	0.68%
Montco Lots LLC	Commercial	1,627,550	0.68%
Comcast of Houston LLC	Utility	1,440,500	0.61%
Individual	Real Property	1,416,410	0.60%
Individual	Real Property	1,317,480	0.55%
BNSF Railway Company	Commercial	1,253,280	0.53%
Amoco Federal Credit Union	Commercial	1,232,180	0.52%
HEB Pantry Foods	Commercial	1,205,360	0.51%
		<u>\$15,842,280</u>	<u>6.66%</u>

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2020 Taxable Assessed Valuation of \$237,946,083 or Preliminary Taxable Assessed Valuation as of January 1, 2021. The calculations contained in the following table merely represent the tax rates required to pay principal 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, and the sale of no additional bonds. See “DEBT SERVICE REQUIREMENTS” and “INVESTMENT CONSIDERATIONS – Possible Impact on District Tax Rates.”

Average annual debt service requirement (2022-2046).....	\$752,436
\$0.3329 tax rate on 2020 Taxable Assessed Valuation of \$237,946,083 at 95% collections produces.....	\$752,516
\$0.2713 tax rate on the Preliminary Taxable Assessed Valuation as of January 1, 2021	
of \$291,986,556 at a 95% collection rate produces.....	\$752,552
Maximum annual debt service requirement (2023).....	\$760,487
\$0.3365 tax rate on 2020 Taxable Assessed Valuation of \$237,946,083 at 95% collections produces.....	\$760,654
\$0.2742 tax rate on the Preliminary Taxable Assessed Valuation as of January 1, 2021	
of \$291,986,556 at a 95% collection rate produces.....	\$760,596

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 “THE BONDS – Source of and Security for Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See “TAX DATA.”

Property Tax Code and County-Wide Appraisal District

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

The 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 County 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 an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

Residential Homestead Exemptions: The Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) 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 May 1. For tax year 2021, the District has granted a twenty-percent (20%) residential homestead exemption. See “TAX DATA.”

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

Tax Abatement

Galveston County may designate all or part of the area within such county and within the District or the District as a reinvestment zone. Thereafter, Galveston County, the District, and the City of Santa Fe, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the applicable Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to a cumulative 10 percent annual increase regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its market value. The 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 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 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, 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 such 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 applicable Appraisal District chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as “Special Taxing Units.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a 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, 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 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, 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 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. For tax year 2020, the District was classified as a Developing District. 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 each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See “ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES – Overlapping Taxes for 2020.” A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under “Levy and Collection of Taxes.” In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely

affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations and Foreclosure Remedies."

Tax Payment Installments after Disaster

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

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WATER AND SEWER OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from operation of the District's water and sewer system are not pledged to the payment of debt service. It is not anticipated that significant revenues, if any, will be available for the payment of debt service on the Bonds or the Outstanding Bonds.

Waterworks and Sewer System Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years 2016 through 2020 and from the District's bookkeeper from the four month period ending April 30, 2021. Reference is made to such records and statements for further and more complete information.

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

GENERAL FUND	Fiscal Year Ended December 31					
	1/1/2021 to 4/30/2021 (a)	2020	2019	2018	2017	2016
<u>Revenues:</u>						
Water Service Charges	\$ 352,407	\$ 1,208,549	\$ 1,171,740	\$ 1,112,274	\$ 1,034,609	\$ 965,199
Sewer Service Charges	277,081	731,774	716,223	622,127	576,537	576,430
Property Taxes	98,159	200,722	185,752	172,979	106,848	114,911
Penalties and Interest	4,194	16,312	34,894	33,131	30,298	32,032
Tap Connection & Inspection Fees	14,958	58,250	55,550	55,400	55,750	73,900
Gain on Disposal of Capital Assets	5,400	-	-	-	-	2,505
Investment Earnings	2,758	11,623	11,849	5,120	1,562	982
Intergovernmental Revenue (b)	101,212	-	-	-	418,470	1,588,835
Other Revenues	3,955	10,450	116,662	27,116	65,587	25,003
Total Revenues	<u>\$ 860,124</u>	<u>\$ 2,237,680</u>	<u>\$ 2,292,670</u>	<u>\$ 2,028,147</u>	<u>\$ 2,289,661</u>	<u>\$ 3,379,797</u>
<u>Expenditures/Expenses:</u>						
Purchased Services	\$ 130,149	\$ 418,324	\$ 435,464	\$ 413,779	\$ 393,691	\$ 349,878
Professional Fees	47,007	109,458	111,542	93,611	82,425	86,600
Contracted Services	12,000	1,718	815	908	1,012	763
Utilities	26,255	82,212	64,475	89,209	92,081	80,668
Repairs and Maintenance	160,200	380,369	413,856	449,544	357,724	341,992
Personnel Services	312,290	807,037	794,381	733,552	703,937	779,472
Administration	27,397	113,695	94,591	74,824	69,680	63,845
Capital Outlay	7,850	73,505	210,726	298,266	368,890	1,663,032
Debt Service	15,000	74,033	127,036	125,722	43,826	43,827
Total Expenditures/Expenses	<u>\$ 738,147</u>	<u>\$ 2,060,351</u>	<u>\$ 2,252,886</u>	<u>\$ 2,279,415</u>	<u>\$ 2,113,266</u>	<u>\$ 3,410,077</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 121,977</u>	<u>\$ 177,329</u>	<u>\$ 39,784</u>	<u>\$ (251,268)</u>	<u>\$ 176,395</u>	<u>\$ (30,280)</u>
<u>Other Financing Sources (Uses):</u>						
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 121,977</u>	<u>\$ 177,329</u>	<u>\$ 39,784</u>	<u>\$ (1,268)</u>	<u>\$ 176,395</u>	<u>\$ (30,280)</u>
Fund Balance / Net Position - Beginning	<u>1,132,408</u>	<u>955,079</u>	<u>915,295</u>	<u>916,563</u>	<u>740,168</u>	<u>770,448</u>
Fund Balance / Net Position - Ending	<u><u>\$ 1,254,385</u></u>	<u><u>\$ 1,132,408</u></u>	<u><u>\$ 955,079</u></u>	<u><u>\$ 915,295</u></u>	<u><u>\$ 916,563</u></u>	<u><u>\$ 740,168</u></u>

(a) Unaudited. Provided by the District.

(b) Includes various items including out of district fee for customers outside of District boundaries, late penalties, NSF fees and reconnect fees and a reimbursement from TxDot for a project.

DEBT SERVICE REQUIREMENTS

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

Fiscal Year (12/31)	Outstanding Debt Service Requirements	Plus: The Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2022	\$527,162		\$97,813	\$97,813	\$624,975
2023	548,587	\$135,000	76,900	211,900	760,487
2024	569,000	115,000	74,400	189,400	758,400
2025	573,512	110,000	72,150	182,150	755,662
2026	574,275	115,000	69,900	184,900	759,175
2027	576,350	110,000	68,200	178,200	754,550
2028	578,037	110,000	67,100	177,100	755,137
2029	579,225	110,000	65,863	175,863	755,087
2030	580,000	115,000	64,456	179,456	759,456
2031	585,406	110,000	62,638	172,638	758,044
2032	585,444	110,000	60,438	170,438	755,881
2033	589,662	110,000	58,238	168,238	757,900
2034	587,906	115,000	55,988	170,988	758,894
2035	590,506	110,000	53,738	163,738	754,244
2036	592,456	115,000	51,488	166,488	758,944
2037	593,766	115,000	49,188	164,188	757,953
2038	599,369	110,000	46,938	156,938	756,306
2039	599,316	115,000	44,688	159,688	759,003
2040	605,416	110,000	42,438	152,438	757,853
2041	469,678	250,000	38,838	288,838	758,516
2042	480,434	245,000	33,734	278,734	759,169
2043	490,766	240,000	28,581	268,581	759,347
2044	495,725	240,000	23,481	263,481	759,206
2045	505,313	235,000	18,434	253,434	758,747
2046		750,000	7,969	757,969	757,969
Total	\$13,477,312	\$4,000,000	\$1,333,594	\$5,333,594	\$18,810,905

Average Annual Debt Service Requirements (2022-2046).....	\$752,436
Maximum Annual Debt Service Requirement (2023).....	\$760,487

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Galveston County, the City of Santa Fe, or any other political entity other than the District, will be secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Infectious Disease Outlook (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. 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.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and may 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 volatility 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 or homebuilding activity within the District. The Bonds are secured by a legally 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 the Pandemic 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 partially 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 area has experienced multiple 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 26, 2017 and brought historic levels of rainfall during the successive four days. However, according to the District’s Superintendent, the District’s System did not sustain significant damage and there was no interruption of water and sewer service for District customers as a result of Hurricane Harvey. According to the District’s Superintendent, flood waters resulting from Hurricane Harvey caused structural flooding of approximately 40 homes in the District.

Inclement Weather

The District is located approximately 10 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District’s tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

Potential Effects of Oil Price Volatility on the Houston Area

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences, multifamily properties, and commercial properties. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for and the value of such properties.

Possible 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 Valuation is \$237,946,083 and the Preliminary Taxable Assessed Valuation as of January 1, 2021 is \$291,896,556. After issuance of the Bonds, the maximum annual debt service requirement is \$760,487 (2023), and the average annual debt service requirement is \$752,436 (2022-2046 inclusive). Assuming no increase or decrease from the 2020 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.3365 and \$0.3329 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. Assuming no increase or decrease from the Preliminary Taxable Assessed Valuation as of January 1, 2021 and no use of funds other than tax collections, a tax rate of \$0.2742 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$760,487 and a tax rate of \$0.2713 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$752,436. See “DEBT SERVICE REQUIREMENTS.”

Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2020 Taxable Assessed Valuation and Preliminary Taxable Assessed Valuation as of January 1, 2021, the District can make no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction of taxable improvements within the District. See “TAXING PROCEDURES” and “TAX DATA – Tax Adequacy for Debt Service.”

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 currently has \$14,910,000 in authorized but unissued unlimited tax bonds for water, sewer, and drainage facilities, all of which may be used for refunding purposes. Voters may authorize the issuance of additional bonds secured by ad valorem taxes.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds. The TCEQ has approved the issuance of \$8,500,000 of unlimited tax bonds to be issued by the District. The District previously issued in 2020 \$4,500,000 of such authorization and is currently issuing the remaining \$4,000,000 balance. The proceeds of the Bonds will finance improvements to the District’s water supply facilities and sanitary sewer system.

The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations or flood plain mapping could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS – Issuance of Additional Debt.”

Tax Collection Limitations and Foreclosure Remedies

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES – Overlapping Taxes for 2020”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal

Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

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 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, 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.

The district may not be placed into bankruptcy involuntarily.

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.”

Marketability of the Bonds

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

Environmental and Air Quality Regulations

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

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

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

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

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 developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a “serious” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a “marginal” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

Water Supply & Discharge Issues. Water supply and discharge regulations that water control and improvement 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 water control and improvement 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 water control and improvement district’s provision of water for human consumption is subject to extensive regulation as a public water system. Water control and improvement 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 non-stormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a water control and improvement district must comply may have an impact on the water control and improvement district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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 has itself 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 became 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.

Future and 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 for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted in the form introduced or in some other form cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisor regarding the foregoing matter.

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

Neither the District nor the Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of the Insurer, particularly over the life of the investment. See

“MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchaser a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Bacon, Wallace & Philbin, L.L.P. (“Bond Counsel”) to the effect that, based upon an examination of such transcript, (i) the Bonds are legal, valid and binding obligations of the District and are payable from the proceeds of an annual ad valorem tax, without limit as to rate or amount, levied on all taxable property in the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity and (ii) 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. Bond Counsel’s opinion also addresses the matters described below under “TAX MATTERS – Tax Exemption.” Such opinion expresses no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in the Official Statement under “THE BONDS,” “THE DISTRICT – General,” “MANAGEMENT OF THE DISTRICT – District Consultants,” “TAXING PROCEDURES,” “LEGAL MATTERS – Legal Opinions,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor have such firm 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 information contained herein, other than the matters discussed immediately above.

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

No Material Adverse Change

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

No-Litigation Certificate

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

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Bacon, Wallace & Philbin, L.L.P., Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference term under section 57(a)(5) of the Code. The statutes, regulations, rulings, and court decisions on which the opinion is based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the District made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds and will assume continuing compliance by the District with the representations and warranties in and covenants of the Bond Order subsequent to the issuance of the Bonds. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of issuance of the Bonds.

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer (or deemed designated) as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The Bonds have been designated (or deemed designated) by the District as "qualified tax-exempt obligations" and the District has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2021 is not expected to exceed \$10,000,000 (within the meaning of section 265(b) of the code) and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2021.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Bonds may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation

is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

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

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

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

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium. Such reduction in basis will increase the amount of any gain or decrease the amount of any loss to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the state and local tax consequences of owning Premium Bonds.

MUNICIPAL BOND RATING

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 ratings 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 the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. ("AGM"). S&P Global ratings, a business unit of Standard and Poor's Financial Services LLC ("S&P") has assigned an underlying rating of "A-" (stable outlook) to the Bonds. An explanation of the significance of such rating may be obtained from S&P. This rating reflects only the views of S&P, and the District makes no representation as to the appropriateness of such rating. Further, there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely, if in the sole judgment of S&P circumstances so warrant. Any such downward revisions or withdrawal of the rating may have an adverse effect on the trading value and the market price of the Bonds. See "INVESTMENT CONSIDERATIONS – Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM

At March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,121 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Merger of MAC into AGM

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021).

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

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

Miscellaneous Matters

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of 97.46% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 2.188649% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. The Initial Purchaser 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 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 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 U.S. Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein 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.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District’s records, the Engineer, the 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 to such effect except as described below under “Certification of Official Statement.” Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, orders, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

Post Oak Municipal Advisors LLC is engaged 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. In its capacity as Financial Advisor, Post Oak Municipal Advisors LLC 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 that have provided information used herein.

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 Sander Engineering Corporation and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the historical breakdown of the certified taxable appraised valuations, have been provided by the Galveston Central Appraisal District and have been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Galveston County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Santa Fe Independent School District and is included herein in reliance upon its authority as an expert in assessing and collecting taxes.

Auditor: The District’s financial statements for the year ended December 31, 2020, were audited by Knox Cox & Company, L.L.P. See “APPENDIX A” for a copy of the District’s December 31, 2020 audited financial statement.

Updating the Official Statement

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

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 certification, the official executing this Official Statement 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 made the following agreement for the benefit of the registered 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 financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain financial information and operating data to the MSRB through its EMMA system. The financial information and operating data which will be provided includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL INFORMATION CONCERNING THE DISTRICT,” “TAX DATA,” “WATER AND SEWER OPERATIONS,” “DEBT SERVICE REQUIREMENTS,” and APPENDIX A (Independent Auditor’s Report and Financial Statements). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2021. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the District commissions an audit and if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when and if the audit report becomes available.

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 shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is 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 the 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; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under 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 financial information, operating 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 its EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an 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 registered owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond 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 Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12(b)(5)(i) with the exception of a failure to timely file a change in the rating of the municipal bond insurance company insuring the District’s Series 2009 and Series 2010 Bonds. The District has filed a notice of late filing in connection with such rating upgrades and has established procedures to monitor and report rating changes in the future.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Galveston County Water Control & Improvement District No. 8, as of the date shown on the cover page.

/s/ ***C.T. “Tommy” Anderson***

President, Board of Directors
Galveston County Water Control & Improvement District No. 8

ATTEST:

/s/ ***David “Keith” Tyner***

Secretary, Board of Directors
Galveston County Water Control & Improvement District No. 8

PHOTOGRAPHS

The following photographs were taken in the District in 2021, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.







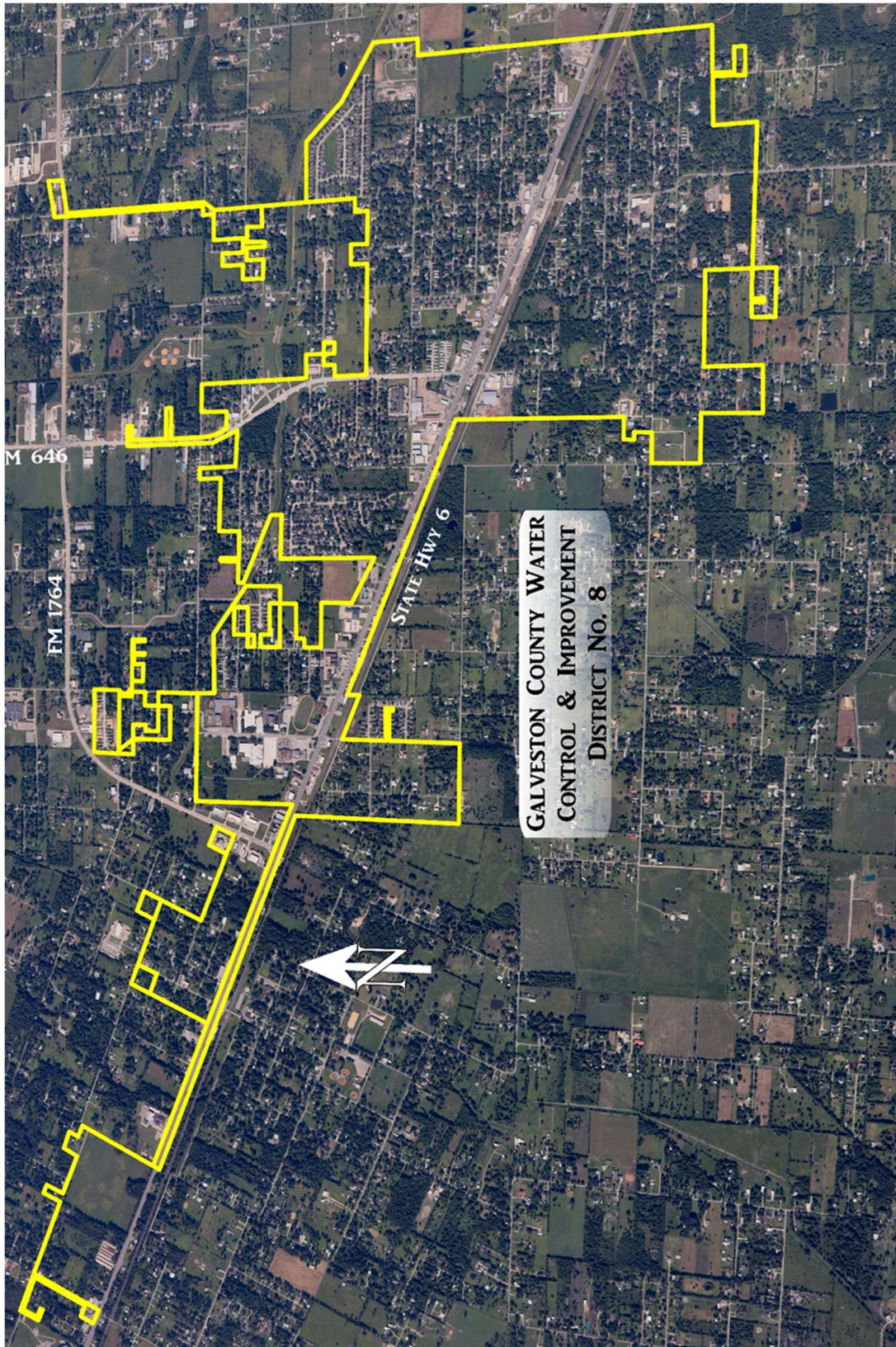






AERIAL PHOTOGRAPH

(Approximate boundaries of the District as of May 2021)



APPENDIX A
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020



Certified Public Accountants

8410 Highway 90A, Suite 150 | Sugar Land, Texas 77478

main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors

Galveston County Water Control and Improvement District No. 8

Galveston County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Galveston County Water Control and Improvement District No. 8 (the "District") as of and for the year ended December 31, 2020, 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2020, 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.

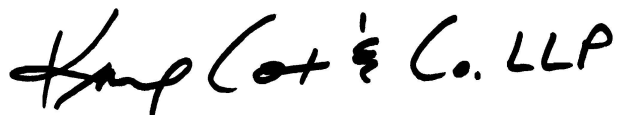
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the budgetary comparison information and pension information on pages 40 through 46 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 Texas Supplementary Information (TSI) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature in black ink that reads "Kamp Cot & Co. LLP". The signature is written in a cursive, flowing style.

Sugar Land, Texas
April 6, 2021

Management's Discussion and Analysis

As management of Galveston County Water Control and Improvement District No. 8 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$10,814,116 (net position).
- As of December 31, 2020, the District's governmental funds reported an ending fund balance of \$6,231,423.
- The District's cash and investments balance at December 31, 2020 was \$6,680,069 representing an increase of \$4,032,507 from December 31, 2019.
- The District had revenues of \$2,650,412 and a change in net position of (\$480,927) for the year ended December 31, 2020.
- At the end of the fiscal year, unrestricted and unassigned fund balance for the General Fund was \$1,089,401 or 53 percent of total General Fund expenditures.
- The District's total debt increased by \$4,351,237 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, liabilities and deferred inflows 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.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 10-13 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District consist solely of governmental funds (the General Fund, Debt Service Fund and Capital Projects Fund).

Governmental Funds - Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 10-13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 38 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund budget and pension. Required supplementary information can be found on pages 40 through 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$10,814,116 as of December 31, 2020.

The largest portion of the District's net position reflects its net investment in capital assets (\$9,343,915).

The second largest portion of the District's net position represents unrestricted financial resources available for future operations (\$1,317,420).

Additionally, a portion of the District's net position represents restricted assets for debt service (\$152,781).

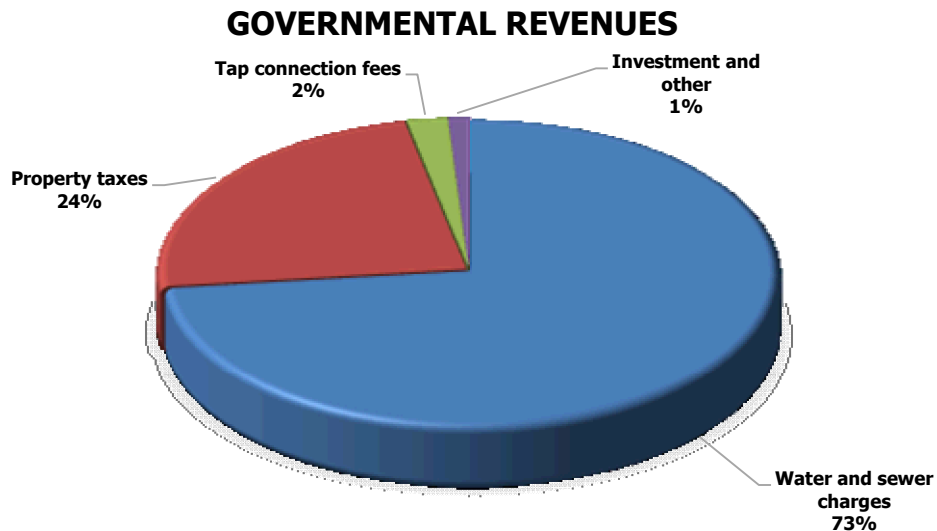
SUMMARY OF STATEMENT OF NET POSITION

	Governmental Activities	
	2020	2019
Current and other assets	\$ 7,321,517	\$ 3,307,223
Capital assets, net	15,012,962	15,066,346
Total Assets	22,334,479	18,373,569
Pension related deferred outflows of resources	105,812	86,311
Total Deferred Outflows of Resources	105,812	86,311
Long-term liabilities	10,542,157	5,955,888
Other liabilities	389,977	608,277
Total Liabilities	10,932,134	6,564,165
Pension related deferred inflows of resources	1,003	1,128
Unavailable revenues - property taxes	693,038	599,544
Total Deferred Inflows of Resources	694,041	600,672
Net Position:		
Net investment in capital assets	9,343,915	10,010,109
Restricted	152,781	194,765
Unrestricted	1,317,420	1,090,169
Total Net Position	\$ 10,814,116	\$ 11,295,043

Net position of the District, all of which relates to governmental activities, decreased by (\$480,927). Key elements of the decrease are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	2020	2019
Revenues		
Water and sewer charges	\$ 1,940,323	\$ 1,887,963
Property taxes, penalties and interest	622,674	599,241
Tap connection fees	58,250	55,550
Investment income and other	29,165	145,950
Total Revenues	2,650,412	2,688,704
Expenses		
Purchased services	418,324	435,464
Professional fees and contracted services	111,176	112,357
Repairs and maintenance	380,369	413,856
Personnel, utilities and administration	984,600	863,763
Interest and fiscal charges on long-term debt	244,860	253,924
Issuance costs	491,819	82,376
Depreciation	500,191	488,919
Total Expenses	3,131,339	2,650,659
Change in Net Position	(480,927)	38,045
Net Position, Beginning	11,295,043	11,256,998
Net Position, Ending	\$ 10,814,116	\$ 11,295,043



Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of December 31, 2020, the District's governmental funds, which consist of a general fund, debt service fund and capital projects fund, reported an ending fund balance of \$6,231,423 which is an increase of \$3,910,058 from last year's total of \$2,321,365. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 53 percent of total General Fund expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's net investment in capital assets as of December 31, 2020 amounts to \$15,012,962 (net of accumulated depreciation). This net investment in capital assets includes land, construction in progress, buildings, vehicles and equipment, and water and wastewater infrastructure.

CAPITAL ASSETS SCHEDULE

	Governmental Activities	
	2020	2019
Capital assets not being depreciated:		
Land	\$ 582,583	\$ 388,591
Construction in progress	194,937	15,627
	<u>777,520</u>	<u>404,218</u>
Capital assets being depreciated:		
Buildings	375,000	375,000
Vehicles and equipment	638,991	626,422
Infrastructure	20,178,178	20,117,242
	<u>21,192,169</u>	<u>21,118,664</u>
Less: accumulated depreciation	<u>(6,956,727)</u>	<u>(6,456,536)</u>
	<u>14,235,442</u>	<u>14,662,128</u>
Total Capital Assets, Net	<u><u>\$ 15,012,962</u></u>	<u><u>\$ 15,066,346</u></u>

Additional information on the District's capital assets can be found in Note 6 in the notes to financial statements.

Long-term Debt - As of December 31, 2020, the District has total debt outstanding of \$10,542,157. Interest expense and fiscal charges totaled \$244,860 for the 2020 fiscal year on this debt. The outstanding debt, which consists of bonds and unamortized bond premium, has maturities ranging from 2021 to 2045.

LONG-TERM DEBT SCHEDULE

	Governmental Activities	
	2020	2019
Tax bonds	\$ 10,475,000	\$ 6,046,000
Unamortized bond premium	67,157	70,888
Notes payable		74,032
Total Long-term Debt	\$ 10,542,157	\$ 6,190,920

Additional information on the District’s long-term debt can be found in Note 7 in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current year. The budget was amended during the year. Actual revenues were \$6,581 greater than the District’s final amended budgeted primarily due to higher-than-expected property tax revenue and investment earnings. Actual expenditures were \$102,344 less than the District’s final amended budget primarily due to lower-than-expected repairs and maintenance and personnel services expenses. The District’s budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. The Budgetary Comparison Schedule on page 40 of this report provides variance information per financial statement line item.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Galveston County Water Control and Improvement District No. 8’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Galveston County Water Control and Improvement District No. 8: James Newman, General Manager, P.O. Box 337, Santa Fe, Texas 77510.

FINANCIAL STATEMENTS

Galveston County Water Control and Improvement District No. 8

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2020

	General	Debt Service	Capital Projects	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 792,168	\$ 354,793	\$ 4,874,112	\$ 6,021,073
Investments	552,366	106,630		658,996
Receivables:				
Property taxes, net	96,964	236,953		333,917
Customer service accounts	148,378			148,378
Other	25,847	51,973		77,820
Internal receivables	1,002			1,002
Penalties and interest				
Prepayments	43,007			43,007
Net pension asset				
Capital assets, net of accumulated depreciation:				
Land				
Buildings				
Vehicles and equipment				
Infrastructure				
Construction in progress				
Total Assets	\$ 1,659,732	\$ 750,349	\$ 4,874,112	\$ 7,284,193
<u>Deferred Outflows of Resources</u>				
Pension related deferred outflows of resources				
Total Deferred Outflows of Resources				
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 123,244	\$	\$	\$ 123,244
Customer deposits	184,000			184,000
Builder deposits	7,500			7,500
Internal payables			1,002	1,002
Accrued interest payable				
Long-term liabilities:				
Due within one year				
Due after one year				
Total Liabilities	314,744		1,002	315,746
<u>Deferred Inflow of Resources</u>				
Pension related deferred inflows				
Unavailable revenues - property taxes	212,580	524,444		737,024
Total Deferred Inflows of Resources	212,580	524,444		737,024
<u>Fund Balances/Net Position</u>				
Fund Balances:				
Nonspendable	43,007			43,007
Restricted for debt service		225,905		225,905
Restricted for capital projects			4,873,110	4,873,110
Unrestricted and unassigned	1,089,401			1,089,401
Total Fund Balances	1,132,408	225,905	4,873,110	6,231,423
Total Liabilities and Fund Balances	\$ 1,659,732	\$ 750,349	\$ 4,874,112	\$ 7,284,193
Net Position:				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See Notes to Financial Statements.

Exhibit B(1)

<u>Adjustments</u> <u>(Note 2)</u>	<u>Statement of</u> <u>Net Position</u>
\$	\$ 6,021,073
	658,996
	333,917
	148,378
	77,820
(1,002)	
35,107	35,107
	43,007
3,219	3,219
582,583	582,583
228,103	228,103
222,164	222,164
13,785,175	13,785,175
194,937	194,937
<u>15,050,286</u>	<u>22,334,479</u>
105,812	105,812
<u>105,812</u>	<u>105,812</u>
	123,244
	184,000
	7,500
(1,002)	
75,233	75,233
230,000	230,000
10,312,157	10,312,157
<u>10,616,388</u>	<u>10,932,134</u>
1,003	1,003
(43,986)	693,038
<u>(42,983)</u>	<u>694,041</u>
(43,007)	
(225,905)	
(4,873,110)	
(1,089,401)	
<u>(6,231,423)</u>	
9,343,915	9,343,915
152,781	152,781
1,317,420	1,317,420
<u>\$ 10,814,116</u>	<u>\$ 10,814,116</u>

Galveston County Water Control and Improvement District No. 8

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

For the Year Ended December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues				
Water service charges	\$ 1,208,549	\$	\$	\$ 1,208,549
Sewer service charges	731,774			731,774
Property taxes	200,722	393,259		593,981
Penalties and interest	16,312	4,369		20,681
Tap connection and inspection fees	58,250			58,250
Investment earnings	11,623	2,341	4,751	18,715
Other	10,450			10,450
Total Revenues	<u>2,237,680</u>	<u>399,969</u>	<u>4,751</u>	<u>2,642,400</u>
Expenditures/Expenses				
Current:				
Purchased services	418,324			418,324
Professional fees	109,458			109,458
Contracted services	1,718			1,718
Utilities	82,212			82,212
Repairs and maintenance	380,369			380,369
Personnel services	807,037			807,037
Administration	113,695			113,695
Capital Outlay	73,505		436,485	509,990
Debt Service:				
Principal retirement	74,033	161,000		235,033
Interest and fiscal charges		140,495		140,495
Issuance costs		129,409		129,409
Depreciation				
Total Expenditures/Expenses	<u>2,060,351</u>	<u>430,904</u>	<u>436,485</u>	<u>2,927,740</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	177,329	(30,935)	(431,734)	(285,340)
Other Financing Sources (Uses)				
Proceeds from sale of bonds		3,170,400	4,170,161	7,340,561
Payment to refunded bond escrow agent		(3,145,163)		(3,145,163)
Total Other Financing Sources (Uses)		<u>25,237</u>	<u>4,170,161</u>	<u>4,195,398</u>
Net Change in Fund Balance	177,329	(5,698)	3,738,427	3,910,058
Change in Net Position				
Fund Balances/Net Position - Beginning	955,079	231,603	1,134,683	2,321,365
Fund Balances/Net Position - Ending	<u>\$ 1,132,408</u>	<u>\$ 225,905</u>	<u>\$ 4,873,110</u>	<u>\$ 6,231,423</u>

See Notes to Financial Statements.

<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
\$	\$ 1,208,549
	731,774
6,187	600,168
1,825	22,506
	58,250
	18,715
	10,450
8,012	2,650,412
	418,324
	109,458
	1,718
	82,212
	380,369
(18,344)	788,693
	113,695
(509,990)	
(235,033)	
104,365	244,860
362,410	491,819
500,191	500,191
203,599	3,131,339
285,340	
(7,340,561)	
3,145,163	
(4,195,398)	
(3,910,058)	
(480,927)	(480,927)
8,973,678	11,295,043
\$ 4,582,693	\$ 10,814,116

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Galveston County Water Control and Improvement District No. 8

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Galveston County Water Control and Improvement District No. 8 (the "District") conform with accounting principles generally accepted in the United States of America. The following is a summary of the most significant policies:

A. Reporting Entity

Galveston County Water Control and Improvement District No. 8 (the "District") was created by the filing on September 20, 1945 of a petition to the State of Texas requesting the organization of a Water Control and Improvement District within the terms and provisions of Section 56, Article 16, of the Constitution of Texas. The State's right to create districts was authorized under the provisions of Chapter 3A, Title 128, Revised Civil Statutes of 1925 together with all amendments and additions by the provisions of Chapter 280, Acts of the 41st Legislature, 1929. The Board of Directors held its first meeting on January 13, 1959 and the first bonds were sold on August 1, 1959. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District's primary activities include construction, maintenance, and operation of water and sewer system facilities and debt service on bonds issued to construct the facilities.

The District is a political subdivision of the State of Texas governed by an elected five-member board and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Galveston County Water Control and Improvement District No. 8

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the District prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial information.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Some of the significant changes of GASB Statement No. 34 include the following:

Management’s Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current or soon thereafter, as is the case with the modified accrual basis of accounting. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report related depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net position of a government is broken down into three categories: 1) net investment in capital assets 2) restricted; and 3) unrestricted.

Fund Financial Statements - These statements focus on the District’s major funds and are prepared using the modified accrual basis of accounting.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary

Galveston County Water Control and Improvement **District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

government is financially accountable. The District had no business-type activities or component units as of and for the year ended December 31, 2020.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net position and statement of activities). Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from District operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable:

To indicate fund balance associated with amounts that are not in a spendable form or are required to be maintained intact.

Restricted:

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

**Galveston County Water Control and Improvement
District No. 8**

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NOTES TO FINANCIAL STATEMENTS

Committed:

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).

Assigned:

To indicate fund balance to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned:

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District does not currently have any such policies.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, deferred inflows, fund equity or deficit, revenues and expenditures.

The District reports the following governmental funds:

General Fund

The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water and sewer service operations. Expenditures include all costs associated with the daily operations of the District.

Debt Service Fund

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt. The primary source of revenue for debt service is property taxes pursuant to requirements of the District's bond resolutions. Expenditures include costs incurred in assessing and collecting these taxes.

Capital Projects Fund

The Capital Projects Fund is used to account for the expenditure of bond proceeds for the construction of the District's water and sewer facilities.

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

C. Short-Term Internal Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as internal receivables and payables on the combined balance sheet. These amounts are eliminated for government-wide presentation.

D. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of pension related differences between expected and actual earnings and employer retirement contributions made subsequent to the measurement date.

E. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of pension related differences between expected and actual experience and unavailable property tax revenues.

F. Prepayments

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

G. Receivables

All receivables are reported at the gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At December 31, 2020, allowances of \$2,135 and \$4,463 are provided for possible uncollectible property taxes in the General Fund and Debt Service Fund, respectively.

H. Capital Assets

Capital assets, which include property, improvements and infrastructure assets, are reported in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets.

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend lives are not capitalized. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Land	N/A
Infrastructure	20 to 45 years
Other	10 to 20 years

I. Compensated Employee Absences

Compensated employee absences, which include unpaid vacation and sick leave, are accumulated during employment. At December 31, 2020, amounts accrued for compensated employee absences are deemed immaterial and are not included in the financial statements.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums or discounts, as well as bond issuance costs, during the current period. The face amount of new debt issued is reported as other financing sources. Premiums are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that can be spent for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Galveston County Water Control and Improvement
District No. 8

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

L. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

M. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through April 6, 2021, the date that the financial statements were available to be issued.

N. Estimates

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

Galveston County Water Control and Improvement
District No. 8

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

Total fund balances - governmental funds	\$ 6,231,423
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,012,962
Other long-term assets are not available to pay for current period expenditures and are deferred inflows of resources in the funds.	43,986
Some assets, including the net pension asset is not a financial resource and is not reported in the funds.	3,219
Penalty and interest on delinquent taxes is not receivable in the current period and is not reportable in the funds.	35,107
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore are not reported in the funds.	104,809
Accrued interest on long-term liabilities is not due and payable with current financial resources and is not reported in the funds.	(75,233)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported in the funds.	<u>(10,542,157)</u>
Net Position of Governmental Activities	<u>\$ 10,814,116</u>

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes an adjustments column to arrive at changes in net position as reported in the government-wide statement of activities. Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 3,910,058
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(53,384)
Deferred inflows and outflows of resources related to pension calculations do not require the use of current financial resources and therefore are not reported in government funds. This adjustment reflects the net change in deferred outflows and inflows of resources.	18,344
Governmental funds report bond premium as revenue. However in the statement of activities, the bond premium is amortized over the life of the debt.	3,730
Repayment of bond and note principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	3,310,033
The issuance of bonds is reported as bond proceeds in the governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.	(7,665,000)
Some expenses in the statement of activities do not require the use of current financial resources and therefore are reported as expenditures in governmental funds. This adjustment reflects the net change in interest payable.	(12,720)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the net change in property taxes receivable (\$6,187) and accrued penalty and interest (\$1,825) on the accrual basis of accounting.	8,012
Change in Net Position of Governmental Activities	\$ (480,927)

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS

Cash consists of interest-bearing checking accounts and investments consist of certificates of deposit and deposits in TexPool. Cash and investments in the Debt Service Fund of \$461,423 are restricted for use in paying interest and principal on long-term debt, paying agent fees and costs of assessing and collecting property taxes pursuant to the District's bond resolutions.

The carrying amounts for cash and investment balances, which approximate fair values, by fund at December 31, 2020, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Cash and Cash Equivalents				
Checking and savings accounts	\$ 792,168	\$ 354,793	\$ 4,874,112	\$ 6,021,073
	<u>\$ 792,168</u>	<u>\$ 354,793</u>	<u>\$ 4,874,112</u>	<u>\$ 6,021,073</u>
Investments				
Certificates of deposit	\$ 551,182	\$ 104,244	\$ -	\$ 655,426
TexPool	1,184	2,386	-	3,570
	<u>\$ 552,366</u>	<u>\$ 106,630</u>	<u>\$ -</u>	<u>\$ 658,996</u>

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 100% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the District's deposits is required to be held in the District's name by the trust department of a bank other than the pledging bank (the District's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the District during the year.

The District's deposits in banks at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the District's agent in the District's name.

Restricted Cash

Cash and investments in the Debt Service Fund are restricted for use in paying interest and principal on long-term debt, paying agent fees and costs of assessing and collecting property taxes pursuant to the District's bond resolution.

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Investments

At year-end, the District's investment balances were as follows:

	Fair Value	Weighted Average Maturity (Days)
Certificates of deposit	\$ 655,426	221
TexPool	3,570	34
Total Investments	\$ 658,996	

Investment Policies

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the District are in compliance with its investment policy.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds. Balances in checking accounts in depository institutions were entirely guaranteed by federal depository insurance or security as provided by statutes and bond provisions at December 31, 2020.

Investment Pools

The District participates in TexPool, The Texas Local Government Investment Pool. The State Comptroller of Public Accounts (the "Comptroller") administers TexPool, as a public funds investment pool through the Texas Treasury Safekeeping Trust Company (The "Trust Company"). The Comptroller is the sole officer, director, and shareholder of the Trust Company and thus maintains oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. The Comptroller has established an advisory board composed of both participants in TexPool and other qualified persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 79, TexPool uses amortized cost (which excludes unrealized gains and losses) to compute share price. An external investment pool qualifies for amortized cost reporting if it transacts with its participants at a stable net asset value per share and meets various portfolio maturity, quality, diversification liquidity and pricing requirements.

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to the maximum limits established by law for public investments.

Credit Risk - Investments

In accordance with its investment policy, the District minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. As of December 31, 2020, TexPool is rated AAAM by Standard and Poor's.

NOTE 4 - PROPERTY TAXES

The voters of the District have authorized the District's Board of Directors to levy maintenance taxes annually for use in financing general operations limited to \$0.30 per \$100 of assessed value. The District's bond resolutions require that ad valorem taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied for debt service requirements are without limitation as to rate or amount.

The Galveston Central Appraisal District determines all property values. A tax lien attaches to all properties within the District on February 1st of each year. Taxes are generally levied on October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31st.

Property taxes are prorated between operations and debt service based on the respective rates adopted for the year of the levy. For the 2021 fiscal year (2020 tax year), the District levied a combined rate of \$0.29752 per \$100 of assessed valuation of which \$0.08515 was allocated to maintenance and operations and \$0.212370 was allocated to debt service. The resulting tax levy was \$693,038 on the adjusted taxable valuation of \$232,938,219 for the 2020 tax year. In accordance with governmental accounting standards, the levy for the 2020 tax year of \$693,038 was recorded as a deferred inflow of resources in both the Statement of Net Position and Governmental Funds Balance Sheet, since revenues from this levy are intended to finance the 2021 fiscal year.

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Property taxes receivable at December 31, 2020, consisted of the following:

	General Fund	Debt Service Fund	Total
2020 Levy	\$ 84,867	\$ 211,663	\$ 296,530
2019 Levy	3,363	6,801	10,164
2018 Levy	1,676	3,332	5,008
2017 Levy	1,380	2,584	3,964
2016 and prior	7,813	17,036	24,849
Total property taxes receivable	<u>99,099</u>	<u>241,416</u>	<u>340,515</u>
Less allowance for doubtful accounts	(2,135)	(4,463)	(6,598)
Total Property Taxes Receivable, Net	<u><u>\$ 96,964</u></u>	<u><u>\$ 236,953</u></u>	<u><u>\$ 333,917</u></u>

NOTE 5 - RECEIVABLES

Receivables, net of allowance for uncollectible accounts, as of year-end for the government's individual major funds are as follows:

	General	Debt Service	Total
Receivables:			
Taxes, net	\$ 96,964	\$ 236,953	\$ 333,917
Accounts	148,378		148,378
Other	25,847	51,973	77,820
Total Receivables	<u><u>\$ 271,189</u></u>	<u><u>\$ 288,926</u></u>	<u><u>\$ 560,115</u></u>

The governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows reported by the District were as follows:

	Unavailable
Property taxes receivable - General Fund	\$ 212,580
Property taxes receivable - Debt Service Fund	524,444
Total Deferred Inflows of Resources	<u><u>\$ 737,024</u></u>

Galveston County Water Control and Improvement District No. 8

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2020, follows:

	Balance Jan. 1, 2020	Increases	(Decreases)	Balance Dec. 31, 2020
Governmental Activities:				
Non-depreciable Assets:				
Land and improvements	\$ 388,591	\$ 193,992	\$ -	\$ 582,583
Construction in progress	15,627	179,310		194,937
Total Non-Depreciable Assets	<u>404,218</u>	<u>373,302</u>	<u>-</u>	<u>777,520</u>
Depreciable Assets:				
Buildings	375,000			375,000
Vehicles and equipment	626,422	12,569		638,991
Infrastructure	20,117,242	60,936		20,178,178
Total Depreciable Assets	<u>21,118,664</u>	<u>73,505</u>	<u>-</u>	<u>21,192,169</u>
Less Accumulated Depreciation	<u>(6,456,536)</u>	<u>(500,191)</u>		<u>(6,956,727)</u>
Totals	<u>\$ 15,066,346</u>	<u>\$ (53,384)</u>	<u>\$ -</u>	<u>\$ 15,012,962</u>

Depreciation expense for the year ended December 31, 2020, totaled \$500,191.

NOTE 7 - LONG-TERM DEBT

Long-term debt includes bonds payable. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District. Investment income realized by the Debt Service Fund from investment of funds will be used to pay outstanding bond principal and interest.

The following is a summary of changes in bonds payable for the year ended December 31, 2020:

Bonds payable, January 1, 2020	\$ 6,046,000
Bonds issued	7,665,000
Bonds retired/refunded	<u>(3,236,000)</u>
Bonds Payable, December 31, 2020	<u>\$ 10,475,000</u>

Galveston County Water Control and Improvement District No. 8

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NOTES TO FINANCIAL STATEMENTS

Bonds payable at December 31, 2020, are comprised of the following individual issues:

<u>Series</u>	<u>Amounts Outstanding</u>	<u>Interest Rate</u>	<u>Date Serially Begin/End</u>	<u>Maturity Interest Dates</u>	<u>Callable Date</u>
2017 Bonds	\$1,385,000	2.00%- 3.75%	April 1 2020/2040	April 1/ October 1	April 1, 2024 *
2019R Bonds	\$1,425,000	2.00%- 5.50%	April 1 2020/2039	April 1/ October 1	April 1, 2029 *
2020R Bonds	\$3,165,000	2.00%- 3.00%	April 1 2021/2039	April 1/ October 1	April 1, 2026 *
2020 Bonds	\$4,500,000	2.00%- 2.125%	April 1 2021/2045	April 1/ October 1	April 1, 2031 *

* Or any interest payment date thereafter in accordance with redemption provisions of the bond resolution.

As of December 31, 2020, the debt service requirements on the bonds outstanding are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 230,000	\$ 203,595	\$ 433,595
2022	275,000	255,614	530,614
2023	305,000	247,189	552,189
2024	335,000	237,826	572,826
2025	350,000	227,414	577,414
2026-2030	1,900,000	1,003,342	2,903,342
2031-2035	2,195,000	762,547	2,957,547
2036-2040	2,570,000	443,205	3,013,205
2041-2045	2,315,000	126,914	2,441,914
	<u>\$ 10,475,000</u>	<u>\$ 3,507,646</u>	<u>\$ 13,982,646</u>

At December 31, 2020, the District has \$18,910,000 authorized but unissued bonds.

The Debt Service Fund has \$225,905 available to service the above bonds.

The District is in compliance with all significant bond requirements and restrictions contained in the bond resolutions.

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NOTES TO FINANCIAL STATEMENTS

During the current fiscal year, the District issued \$3,165,000 of unlimited tax bonds to refund \$3,075,000 of unlimited tax bonds issued in 2010. The refunding was undertaken to reduce future debt service payments. The net proceeds of \$3,145,163 (including a premium of \$5,400 and after payment of underwriting fees and other issuance costs of \$124,547) were used to call the bonds being refunded. Additionally, the District used \$99,310 of its existing debt service monies to call the bonds being refunded. The transaction resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$566,975 and a reduction of \$737,357 in future debt service payments. The interest rates on the unlimited tax refunding bonds range from 2.0 to 3.0 percent and the bonds will mature in 2039.

Notes Payable

In July 2017, the District entered into a repayment agreement with the Santa Fe Economic Development Corporation (SFEDC) related to the Interlocal Agreement between the District and the SFEDC for the construction, surveying, engineering and related costs of relocating and adding water and sewer lines to FM 646 N, Texas State highway 6 and FM 1764. Pursuant to the repayment agreement, the District agrees to pay SFEDC \$222,098 in three equal payments of \$74,032 due on or before September 30 of 2018, 2019 and 2020. As of December 31, 2020, the obligation had been satisfied.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	<u>Balance Jan. 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2020</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
Tax bonds	\$ 6,046,000	\$ 7,665,000	\$ (3,236,000)	\$ 10,475,000	\$ 230,000
Unamortized bond premium	70,888		(3,731)	67,157	
Notes payable	74,032		(74,032)	-	
	<u>\$ 6,190,920</u>	<u>\$ 7,665,000</u>	<u>\$ (3,313,763)</u>	<u>\$ 10,542,157</u>	<u>\$ 230,000</u>

**Galveston County Water Control and Improvement
District No. 8**

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Texas County & District Retirement System (TCDRS)

Plan Description

As of October 1, 2018, the District began providing retirement, disability and death benefits for all of its full-time employees through a non-traditional defined benefit plan in the state-wide 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 various employer nontraditional defined benefit pension plans. TCDRS 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 or online at www.tcdrs.org.

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 age 60 and above with 8 or more years of service, with 20 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions to 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.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. 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 commitments to contribute. At retirement, disability or death, 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, as prescribed by the TCDRS Act.

As of the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>10</u>
Totals	<u><u>12</u></u>

Funding Policy/Contributions

The employer has chosen a variable rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on

Galveston County Water Control and Improvement District No. 8

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

the covered payroll of employee members. For the current fiscal year, the contribution rate of the employer was 9.33% and the contribution rate for employees was 7%, as adopted by the governing body of the employer. The contribution rate of the employer is actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer with options available in the TCDRS ACT.

If a plan has had adverse experience, the TCDRS Act has provisions which allow the employer to contribute a fixed supplemental contribution rate determined by the system's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

Net Pension Asset

The District's Net Pension Asset ("NPA") was measured as of December 31, 2019, and the Total Pension Liability ("TPL") used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
Remaining Amortization Period	19.6 years
Asset Valuation Method	5 Year smoothed market
Inflation	2.75%
Salary Increases	4.9% average over career including inflation
Investment Rate of Return	8.00%
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	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.

Long-Term Expected Rate of Return

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 capital market assumption and information shown below are provide by TCDRS' investment

**Galveston County Water Control and Improvement
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NOTES TO FINANCIAL STATEMENTS

consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for a long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate Of Return (Geometric)</u>
U.S. Equities	14.5%	5.20%
Private Equity	20.0%	8.20%
Global Equity	2.5%	5.50%
Int'l Equities - Developed Markets	7.0%	5.20%
Int'l Equities - Emerging Markets	7.0%	5.70%
Investment - Grade Bonds	3.0%	-0.20%
Strategic Credit	12.0%	3.14%
Direct Lending	11.0%	7.16%
Distressed Debt	4.0%	6.90%
REIT Equities	3.0%	4.50%
Master Limited Partnerships	2.0%	8.40%
Private Real Estate Partnerships	6.0%	5.50%
Hedge Funds	8.0%	2.30%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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NOTES TO FINANCIAL STATEMENTS

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/18	\$ 15,633	\$ 20,134	\$ (4,501)
Changes for the year:			
Service cost	70,911	0	70,911
Interest on total pension liability	7,010	0	7,010
Change in benefit terms	0	0	0
Difference between expected and actual experience	0	0	0
Change in assumptions	0	0	0
Effect of economic/demographic gains or losses	15,301	0	15,301
Contributions - employer	0	50,542	(50,542)
Contributions - employee	0	35,309	(35,309)
Net investment income	0	3,219	(3,219)
Benefit payments	0	0	0
Administrative expenses	0	(85)	85
Other	0	2,955	(2,955)
Net Changes	<u>93,222</u>	<u>91,940</u>	<u>1,282</u>
Balance at 12/31/19	<u>\$ 108,855</u>	<u>\$ 112,074</u>	<u>\$ (3,219)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's 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 in Discount Rate 7.10%	Current Discount Rate 8.10%	1% Increase in Discount Rate 9.10%
Total pension liability	\$ 128,456	\$ 108,854	\$ 93,113
Fiduciary net position	112,073	112,073	112,073
Net pension liability (asset)	<u>\$ 16,383</u>	<u>\$ (3,219)</u>	<u>\$ (18,960)</u>

**Galveston County Water Control and Improvement
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Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

<u>Pension Expense</u>	<u>January 1, 2019 to December 31, 2019</u>	
Service cost	\$	70,911
Interest on total pension liability (1)		7,010
Effect of plan changes		0
Administrative expenses		85
Member contributions		(35,309)
Expected investment return net of investment expenses		(5,154)
Recognition of economic/demographic gains and losses		1,405
Recognition of assumption changes or inputs		0
Recognition of investment gains and losses		502
Other (2)		(2,954)
Total Pension Expense	<u>\$</u>	<u>36,496</u>

- (1) Reflects the change in the liability due to the time value of money.
TCDRS does not charge fees or interest.
- (2) Relates to allocation of system-wide items.

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,003	\$ 13,771
Changes in actuarial assumptions	0	0
Net difference between projected and actual investment earnings		1,893
Contributions subsequent to the measurement date		90,148
Totals	<u>\$ 1,003</u>	<u>\$ 105,812</u>

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

<u>Year Ended Dec 31:</u>	
2020	\$ 1,907
2021	1,907
2022	1,907
2023	1,792
2024	1,405
Thereafter	5,743
Total	<u>\$ 14,661</u>

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Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Texas Municipal Retirement System (TMRS)

Prior to participating in TCDRS, the District participated in the City of Santa Fe's (the "City") defined benefit pension plan. Until June 2018, the District remitted employee and employer contributions to the City for inclusion in its plan. All pension plan assets, liabilities, deferred inflows, deferred outflows and activities are recorded in the City's financial statements.

Prior to joining TMRS in 1996, the City participated in a prior retirement plan. Under the prior retirement plan, the City accepted an amendment to allow employees of the District to contribute to and participate in the prior retirement plan. Upon joining TMRS and as a continuation of prior practice, all City and District employees were enrolled in TMRS and have continued to contribute to and participate in TMRS.

In July 2018, TMRS determined that the employees of the District are not eligible to participate in TMRS. With respect to employees of the District who have accounts at TMRS and are no longer eligible to participate, TMRS will continue to manage their accounts in accordance with IRS guidelines. However, TMRS no longer accepts contributions from the employees of the District.

NOTE 9 - WATER SUPPLY CONTRACT

In 1991, as amended in 1998, the District has contracted with the Gulf Coast Water Authority (GCWA) to provide its residents with a supply of potable water through GCWA's Mainland System.

During the year ended December 31, 2020, the District incurred \$418,324 for the cost of water purchased from the GCWA under this contract.

The relationship between the GCWA and its Participating Districts is purely contractual. The GCWA is a separate functioning governmental entity whose management and Board of Directors are not subject to the control of the participating districts. The District, together with other area municipal utility districts with similar contracts with the GCWA (collectively the "Participating Districts"), contracts directly with the GCWA for required facilities and does not have a contract with other Participating Districts. The GCWA is not a participating facility user.

The GCWA serves as the sponsor and common provider to each of its Participating Districts of facilities and related services and has full legal title and ownership to facilities, subject only to the contractual rights of the Participating Districts to receive services.

The GCWA invests its own capital funds in the construction and acquisition of the required facilities. Each Participating District makes a payment to the GCWA to defray the costs of construction of capital facilities proportionate to the contractual rights of use (or capacity rights) of such districts pursuant to its contract with the GCWA. Thus, each Participating District has

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Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

invested funds in the acquisition of such contract rights; however, no Participating District owns nor has legal title to all or any portion of the physical facilities providing such services.

Under these circumstances, the District's relationship with the GCWA is not considered to constitute either a shared facilities agreement or a joint venture arrangement.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the current year or the three prior years.

NOTE 11 - COMMITMENTS & CONTINGENT LIABILITIES

Water and Sewer Line Project to FM 646, Texas State Highway 6, and FM 1764

The District approved an interlocal agreement with Santa Fe Economic Development Corporation (SFEDC) on August 21, 2012. The agreement expired on June 30, 2016. A second interlocal agreement with SFEDC was signed on August 16, 2016 extending the Agreement through June 2018. Pursuant to the Interlocal Agreement, the SFEDC agreed to contribute funds for the construction, surveying, engineering, and related costs of relocating and adding water and sewer lines to FM 646, Texas State Highway 6, and FM 1764, not to exceed a total of one million dollars (\$1,000,000). A total amount of \$777,902 has been contributed by the SFEDC and a total of \$777,902 had been expended as of December 31, 2017. The project was completed in 2017. Pursuant to the Agreement, the District agreed to pay back 50% of the expenses, not to exceed five hundred thousand (\$500,000) upon completion of the project. A repayment agreement was signed on July 27, 2017, whereby the District agreed to pay the EDC \$222,098 in three annual payments. Payments of \$74,032 per year were due on or before September 30, 2018, 2019 and 2020. As of December 31, 2020, the obligation had been satisfied.

Texas Department of Transportation (TxDot) also participated in this project, contributing \$587,934.

Financing and Reimbursement Agreement

On December 17, 2020, the District entered into a Financing and Reimbursement Agreement for Water and Sanitary Sewer Facilities with REME Development, LP (Developer). Subject to the terms of the agreement, the District agrees to reimburse the Developer in the future for costs incurred by the Developer for the design and construction of the potable water and sanitary sewer facilities to serve the Property (as defined in the Agreement). Upon completion of construction of each segment or phase of the project, the Developer will convey to the District

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Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

and the District will accept, such portion of the Project for ownership, operation, and maintenance. Under the agreement, the developer will advance funds for the construction of facilities to serve the property.

To reimburse the Developer for project costs, the District agrees to make annual reimbursement payments to the Developer equal to 70% of the annual ad valorem tax revenue it collects, on real and personal property within the Property as defined in the agreement. The reimbursement payments shall commence beginning with the tax year in which the certified assessed value of taxable property within the Property, as of January 1 of such year, is at least \$25 million. The annual payments will be equal to 70% of the ad valorem taxes actually collected by the District as of March 1 (of the following calendar year) on all real and personal property within the Property, with 70% of the ad valorem taxes actually collected by the District after March 1 on real and personal property within the Property being paid on the March 1 following such collection. The Reimbursement Payments shall continue for each year in which taxable value within the Property exceeds \$25,000,000; provided, however, if the taxable value falls below the minimum amount of \$25,000,000, no reimbursement payment will be made for that year. Once commenced, the reimbursement payments will continue for a maximum of 10 years or until the Developer has been reimbursed a total of 50% of its actual water and sewer construction costs with a maximum reimbursement amount of \$800,000.

REQUIRED SUPPLEMENTARY INFORMATION

Galveston County Water Control and Improvement District No. 8

Exhibit C(1)

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

For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Water service charges	\$ 1,176,000	\$ 1,203,778	\$ 1,208,549	\$ 4,771
Sewer service charges	722,000	735,442	731,774	(3,668)
Property taxes	200,500	189,458	200,722	11,264
Penalties and interest	30,750	16,012	16,312	300
Tap connection and inspection fees	56,000	48,150	58,250	10,100
Investment earnings	8,000	10,100	11,623	1,523
Other	24,500	28,159	10,450	(17,709)
Total Revenues	<u>2,217,750</u>	<u>2,231,099</u>	<u>2,237,680</u>	<u>6,581</u>
Expenditures				
Current:				
Purchased services	505,550	440,000	418,324	21,676
Professional fees	124,000	132,869	109,458	23,411
Contracted services	1,000	1,000	1,718	(718)
Utilities	78,525	79,300	82,212	(2,912)
Repairs and maintenance	405,223	427,500	380,369	47,131
Personnel services	847,302	866,326	807,037	59,289
Administration	100,150	104,600	113,695	(9,095)
Capital Outlay	31,000	36,000	73,505	(37,505)
Debt Service:				
Principal retirement	125,000	74,100	74,033	67
Interest and fiscal charges		1,000		1,000
Total Expenditures	<u>2,217,750</u>	<u>2,162,695</u>	<u>2,060,351</u>	<u>102,344</u>
Net Change in Fund Balance		68,404	177,329	108,925
Fund Balance - Beginning	955,079	955,079	955,079	
Fund Balance - Ending	<u>\$ 955,079</u>	<u>\$ 1,023,483</u>	<u>\$ 1,132,408</u>	<u>\$ 108,925</u>

Galveston County Water Control and Improvement District No. 8

Exhibit C(2)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year by the Board.

Galveston County Water Control and Improvement District No. 8

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Pension Liability				
Service cost	\$ 70,911	\$ 15,621	\$ N/A	\$ N/A
Interest on total pension liability	7,010	1,265	N/A	N/A
Effect of plan changes	-	-	N/A	N/A
Effect of economic/demographic (gains) or losses	15,301	(1,253)	N/A	N/A
Effect of assumption changes or inputs			N/A	N/A
Net Change in Total Pension Liability	<u>93,222</u>	<u>15,633</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, beginning	<u>15,633</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>
Total Pension Liability, Ending (a)	<u><u>\$ 108,855</u></u>	<u><u>\$ 15,633</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Plan Fiduciary Net Position				
Employer contributions	\$ 50,542	\$ 11,396	\$ N/A	\$ N/A
Member contributions	35,309	7,961	N/A	N/A
Investment income net of investment expenses	3,219	216	N/A	N/A
Benefit payments/refunds of contributions			N/A	N/A
Administrative expenses	(85)	(16)	N/A	N/A
Other	2,955	577	N/A	N/A
Net Change in Plan Fiduciary Net Position	<u>91,940</u>	<u>20,134</u>	<u>N/A</u>	<u>N/A</u>
Plan fiduciary net position, beginning	<u>20,134</u>	<u>-</u>	<u>N/A</u>	<u>N/A</u>
Plan Fiduciary Net Position, Ending (b)	<u><u>\$ 112,074</u></u>	<u><u>\$ 20,134</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Net Pension Liability (Asset), Ending (a) - (b)	<u><u>\$ (3,219)</u></u>	<u><u>\$ (4,501)</u></u>	<u><u>\$ N/A</u></u>	<u><u>\$ N/A</u></u>
Plan Fiduciary Net Position as a % of Total Pension Liability	102.96%	128.79%	N/A	N/A
Pensionable covered payroll	\$ 504,411	\$ 113,731	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	-0.64%	-3.96%	N/A	N/A

* - GASB 68 requires 10 years of data to be provided in this schedule. Measurement date is December 31st of each year. Only two years of data are available as 2018 was the first year the District participated in TCDRS.

Exhibit C(3)

	2015	2014	2013	2012	2011	2010
\$	N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
\$	<u>N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>

\$	N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
\$	<u>N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>

\$	<u>N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
----	------------	---------------	---------------	---------------	---------------	---------------

N/A N/A N/A N/A N/A N/A

\$ N/A \$ N/A \$ N/A \$ N/A \$ N/A \$ N/A

N/A N/A N/A N/A N/A N/A

Galveston County Water Control and Improvement District No. 8

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM **SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Ten Fiscal Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 50,542	\$ 11,396	\$ N/A	\$ N/A
Actual Employer Contribution	<u>50,542</u>	<u>11,396</u>	<u>N/A</u>	<u>N/A</u>
Contribution Deficiency (Excess)	-	-	N/A	N/A
Pensionable Covered Payroll	\$ 504,411	\$ 113,731	\$ N/A	\$ N/A
Actual Contributions as a % of Covered Payroll	10.0%	10.0%	N/A	N/A

* - GASB 68 requires 10 years of data to be provided in this schedule.

Only two years of data are available as 2018 was the first year the District participated in TCDRS.

2015	2014	2013	2012	2011	2010
\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
N/A	N/A	N/A	N/A	N/A	N/A

Galveston County Water Control and Improvement District No. 8

Exhibit C(5)

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Method	19.6 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5 Year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions *	2015: New inflation, mortality and other assumptions reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions *	2019: No changes in plan provisions were reflected in the Schedule*

* - Only changes effective 2015 and later are shown in the Notes to Schedule of Contributions.

TEXAS SUPPLEMENTARY INFORMATION

Galveston County Water Control and Improvement District No. 8

SCHEDULE OF SERVICES AND RATES

For the Year Ended December 31, 2020

1. Services provided by the District:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Sewer	<u> </u>	Wholesale Sewer	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. Retail Service Providers

a. Retail rates based on 5/8" meter

Retail rates not applicable

The most prevalent type of meter (if not a 5/8"): _____

Not Applicable

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water	<u>\$16.00</u>	<u>2,000</u>	<u>N</u>	<u>\$4.50</u>	<u>2,001-4,000</u>
				<u>\$4.75</u>	<u>4,001-7,000</u>
				<u>\$5.00</u>	<u>7,001-10,000</u>
				<u>\$5.25</u>	<u>10,001 & over</u>
Wastewater	<u>\$16.00</u>	<u>2,000</u>	<u>N</u>	<u>\$ 2.90</u>	<u>2,001-4,000</u>
				<u>\$ 3.20</u>	<u>4,001-7,000</u>
				<u>\$ 3.50</u>	<u>7,001-10,000</u>
				<u>\$ 3.70</u>	<u>10,001 & over</u>

District employs winter averaging for wastewater usage? Yes ___ No X

Total charges per 10,000 gallons usage:

Water \$54.25 Wastewater \$41.90

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
< or = .75"	<u>2,199</u>	<u>2,110</u>	x 1.0	<u>2,110</u>
1"	<u>77</u>	<u>72</u>	x 2.5	<u>180</u>
1.5"	<u>4</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>42</u>	<u>40</u>	x 8.0	<u>320</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"	<u>4</u>	<u>4</u>	x 25.0	<u>100</u>
6"	<u>2</u>	<u>2</u>	x 50.0	<u>100</u>
8"	<u> </u>	<u> </u>	x 80.0	<u> </u>
10"	<u> </u>	<u> </u>	x 115.0	<u> </u>
Total Water	<u>2,329</u>	<u>2,232</u>	████████	<u>2,840</u>
Total Wastewater	<u>2,020</u>	<u>1,923</u>	x 1.0	<u>1,923</u>

3. Total Water Consumption During the Fiscal Year: (Rounded to the nearest thousand)

Gallons pumped into system:	188,155,500	Water Accountability Ratio
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	162,150,000	86.2%

4. Standby Fees (n/a)

5. Location of District:

County(ies) in which District is located. Galveston

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

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

City(ies) in which District is located. City of Santa Fe

Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely Partly Not at all X

ETJ's in which District is located. _____

Are Board members appointed by an office outside the District?
Yes No X

If yes, by whom? _____

Galveston County Water Control and Improvement District No. 8

TSI-2

SCHEDULE OF GENERAL FUND EXPENDITURES

For the Year Ended December 31, 2020

Current

Personnel Services	<u>\$ 807,037</u>
Professional Fees:	
Auditing	14,500
Engineering	22,794
Legal	24,053
Lab services	25,170
Other	22,941
	<u>109,458</u>
Purchased Services for Resale - Bulk water purchases	<u>418,324</u>
Contracted Services:	
Legal notices	<u>1,718</u>
Utilities	<u>82,212</u>
Repairs and Maintenance	<u>380,369</u>
Administration:	
Training and dues	3,628
Office supplies	11,152
Insurance	59,422
Other	39,493
	<u>113,695</u>
Capital Outlay	<u>73,505</u>
Debt Service	<u>74,033</u>
Total Expenditures	<u><u>\$ 2,060,351</u></u>
Number of employees employed by the District:	<u>10</u> Full-time

Galveston County Water Control and Improvement District No. 8

TSI-3

SCHEDULE OF TEMPORARY INVESTMENTS

For the Year Ended December 31, 2020

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Balances at December 31, 2020</u>
<u>General Fund</u>				
Certificate of deposit	40418699	1.25%	1/7/2021	\$ 9,491
Certificate of deposit	41002144	0.45%	8/24/2021	81,000
Certificate of deposit	312607S0200	0.60%	11/25/2021	204,335
Certificate of deposit	312607S0201	2.30%	5/25/2021	256,356
TexPool	7897000001	Variable	N/A	684
TexPool	7897000003	Variable	N/A	500
Total General Fund				<u>552,366</u>
<u>Debt Service Fund</u>				
Certificate of deposit	41002857	0.70%	7/24/2021	104,244
TexPool	7897000002	Variable	N/A	2,386
Total Debt Service Fund				<u>106,630</u>
Total - All Funds				<u>\$ 658,996</u>

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Galveston County Water Control and Improvement District No. 8

TSI-4

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

For the Year Ended December 31, 2020

	General Fund	Debt Service Fund	Total
Taxes receivable - January 1, 2020	\$ 94,827	\$ 192,948	\$ 287,775
Adjustments	(1,041)	(2,087)	(3,128)
Adjusted taxes receivable - January 1, 2020	93,786	190,861	284,647
Original tax roll 2020	184,971	461,330	646,301
Additions and corrections	13,376	33,361	46,737
Adjusted tax levy	198,347	494,691	693,038
Total to be Accounted for	292,133	685,552	977,685
<u>Tax Collections</u>			
Current year	113,480	283,028	396,508
Prior years	79,554	161,108	240,662
Total Collections	193,034	444,136	637,170
Taxes Receivable - December 31, 2020	\$ 99,099	\$ 241,416	\$ 340,515

Taxes Receivable - By Tax Year

2020	\$ 84,867	\$ 211,663	\$ 296,530
2019	3,363	6,801	10,164
2018	1,676	3,332	5,008
2017	1,380	2,584	3,964
Prior	7,813	17,036	24,849
Taxes Receivable - December 31, 2020	\$ 99,099	\$ 241,416	\$ 340,515

	2020	2019	2018	2017
<u>Property Valuations</u>				
Land	71,998,285	43,669,781	43,358,601	42,305,091
Improvements	241,439,408	206,426,375	196,815,584	186,877,057
Personal Property	15,780,819	15,517,677	15,591,711	15,277,841
Exemptions	(96,280,293)	(62,171,582)	(63,813,956)	(58,599,512)
Total Property Valuations	\$ 232,938,219	\$ 203,442,251	\$ 191,951,940	\$ 185,860,477
<u>Tax Rates Per \$100</u>				
<u>Valuations</u>				
Debt service	\$ 0.212370	\$ 0.197200	\$ 0.193800	\$ 0.176000
Maintenance and operations *	0.085150	0.097500	0.097500	0.094000
Total Tax Rate per \$100 Valuation	\$ 0.297520	\$ 0.294700	\$ 0.291300	\$ 0.270000
Adjusted Tax Levy	\$ 693,038	\$ 599,544	\$ 559,156	\$ 501,823

Percent of taxes collected to taxes levied (as adjusted) **	*** 57.2%	98.3%	99.1%	99.2%
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* Maximum maintenance tax rate approved by voters: \$.30 on 11/2/1999

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

*** In process of collection.

Galveston County Water Control and Improvement District No. 8

LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

December 31, 2020

Due During Fiscal Year Ending December 31	Total All Series			Series 2017		
	Principal Due April 1	Interest Due April 1, October 1	Total	Principal Due April 1	Interest Due April 1, October 1	Total
2021	\$ 230,000	\$ 203,595	\$ 433,595	\$ 40,000	\$ 42,219	\$ 82,219
2022	275,000	255,614	530,614	45,000	41,369	86,369
2023	305,000	247,189	552,189	45,000	40,469	85,469
2024	335,000	237,826	572,826	50,000	39,269	89,269
2025	350,000	227,414	577,414	50,000	37,769	87,769
2026	360,000	217,626	577,626	55,000	36,194	91,194
2027	370,000	209,201	579,201	55,000	34,544	89,544
2028	380,000	200,989	580,989	60,000	32,819	92,819
2029	390,000	192,326	582,326	60,000	31,019	91,019
2030	400,000	183,201	583,201	65,000	29,144	94,144
2031	415,000	173,657	588,657	70,000	27,075	97,075
2032	425,000	163,845	588,845	70,000	24,888	94,888
2033	440,000	153,379	593,379	75,000	22,622	97,622
2034	450,000	141,891	591,891	80,000	20,150	100,150
2035	465,000	129,776	594,776	85,000	17,469	102,469
2036	480,000	117,013	597,013	90,000	14,625	104,625
2037	495,000	103,626	598,626	90,000	11,644	101,644
2038	515,000	89,594	604,594	95,000	8,522	103,522
2039	530,000	74,778	604,778	100,000	5,231	105,231
2040	550,000	58,195	608,195	105,000	1,768	106,768
2041	425,000	44,678	469,678			
2042	445,000	35,434	480,434			
2043	465,000	25,766	490,766			
2044	480,000	15,725	495,725			
2045	500,000	5,313	505,313			
Total	\$ 10,475,000	\$ 3,507,646	\$ 13,982,646	\$ 1,385,000	\$ 518,809	\$ 1,903,809

Due During Fiscal Year Ending December 31	Series 2020		
	Principal Due April 1	Interest Due April 1, October 1	Total
2021	\$ 35,000	108,026	\$ 143,026
2022	70,000	91,494	161,494
2023	90,000	89,894	179,894
2024	105,000	87,944	192,944
2025	115,000	85,744	200,744
2026	110,000	83,494	193,494
2027	110,000	81,294	191,294
2028	105,000	79,144	184,144
2029	100,000	77,094	177,094
2030	105,000	75,044	180,044
2031	105,000	72,944	177,944
2032	100,000	70,894	170,894
2033	100,000	68,894	168,894
2034	90,000	66,994	156,994
2035	85,000	65,244	150,244
2036	80,000	63,594	143,594
2037	85,000	61,944	146,944
2038	80,000	60,294	140,294
2039	70,000	58,794	128,794
2040	445,000	53,644	498,644
2041	425,000	44,678	469,678
2042	445,000	35,434	480,434
2043	465,000	25,766	490,766
2044	480,000	15,725	495,725
2045	500,000	5,313	505,313
Total	\$ 4,500,000	\$ 1,629,323	\$ 6,129,323

Due During Fiscal Year Ending December 31	Series 2019R			Series 2020R		
	Principal Due April 1	Interest Due April 1, October 1	Total	Principal Due April 1	Interest Due April 1, October 1	Total
2021	\$ 40,000	\$ 53,350	\$ 93,350	\$ 115,000	\$ 71,738	\$ 186,738
2022	45,000	51,013	96,013	115,000	68,288	183,288
2023	45,000	48,538	93,538	125,000	64,688	189,688
2024	50,000	45,925	95,925	130,000	60,863	190,863
2025	55,000	43,038	98,038	130,000	56,963	186,963
2026	55,000	40,975	95,975	140,000	53,613	193,613
2027	60,000	39,750	99,750	145,000	50,763	195,763
2028	65,000	38,263	103,263	150,000	47,813	197,813
2029	70,000	36,400	106,400	160,000	44,713	204,713
2030	70,000	34,300	104,300	160,000	41,513	201,513
2031	75,000	32,125	107,125	165,000	38,263	203,263
2032	80,000	29,800	109,800	175,000	34,863	209,863
2033	80,000	27,000	107,000	185,000	31,147	216,147
2034	90,000	23,600	113,600	190,000	27,163	217,163
2035	95,000	19,900	114,900	200,000	22,894	222,894
2036	105,000	15,900	120,900	205,000	18,338	223,338
2037	105,000	11,700	116,700	215,000	13,478	228,478
2038	115,000	7,300	122,300	225,000	8,253	233,253
2039	125,000	2,500	127,500	235,000	2,783	237,783
2040						
2041						
2042						
2043						
2044						
2045						
Total	<u>\$ 1,425,000</u>	<u>\$ 601,377</u>	<u>\$ 2,026,377</u>	<u>\$ 3,165,000</u>	<u>\$ 758,137</u>	<u>\$ 3,923,137</u>

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Galveston County Water Control and Improvement District No. 8

TSI-6

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

For the Year Ended December 31, 2020

	Bond Issue					Total
	Series 2010 Bonds	Series 2017 Bonds	Series 2019R Bonds	Series 2020R Bonds	Series 2020 Bonds	
Interest rate	4.0%-5.25%	2.0%-3.75%	2.0%-5.5%	2.0%-3.0%	2.0%-2.125%	
Dates interest payable	4/1;10/1	4/1;10/1	4/1;10/1	4/1;10/1	4/1;10/1	
Maturity dates	4/1/2019- 4/1/2039	4/1/2020- 4/1/2040	4/1/2020- 4/1/2039	4/1/2021- 4/1/2039	4/1/2021- 4/1/2045	
Bonds outstanding at beginning of year	\$ 3,155,000	\$ 1,426,000	\$ 1,465,000	\$	\$	\$ 6,046,000
Bonds issued				3,165,000	4,500,000	7,665,000
Bonds refunded	(3,075,000)					(3,075,000)
Principal retirements	(80,000)	(41,000)	(40,000)			(161,000)
Bonds Outstanding at End of Year	<u>\$ -</u>	<u>\$ 1,385,000</u>	<u>\$ 1,425,000</u>	<u>\$ 3,165,000</u>	<u>\$ 4,500,000</u>	<u>\$ 10,475,000</u>
Interest Retirements	<u>\$ 72,637</u> *	<u>\$ 43,029</u>	<u>\$ 55,550</u>	<u>\$ 41,016</u>	<u>\$ -</u>	<u>\$ 212,232</u>

Paying Agent's Name and City

Series 2010 Bonds	Wells Fargo Bank, NA
Series 2017 and 2019R Bonds	ZB, National Association
Series 2020R and 2020 Bonds	ZB, National Association

<u>Bond Authority</u>	<u>Refunding and Tax Bonds</u>
Amount authorized	\$ 23,500,000
Amount issued	4,590,000
Remaining	<u>\$ 18,910,000</u>

Debt Service Fund Cash and Temporary Investment Balances at End of Year	\$ 461,423
Average Annual Debt Service Payment for Remaining Term of all Debt	<u>\$ 559,306</u>

* - Series 2010 interest included in payment to refunded bond escrow agent, as Series 2010 bonds were refunded with Series 2020R issue.

Galveston County Water Control and Improvement District No. 8

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL AND DEBT SERVICE FUNDS

Last Five Fiscal Years

	Amounts				
	2020	2019	2018	2017	2016
<u>General Fund Revenues</u>					
Water and sewer service	\$ 1,940,323	\$ 1,887,963	\$ 1,734,401	\$ 1,611,146	\$ 1,541,629
Property taxes, penalties and int.	217,034	220,646	206,110	137,146	146,943
Tap connection and inspection fees	58,250	55,550	55,400	55,750	73,900
Investment income and other	22,073	128,511	32,236	485,619	1,617,325
Total Revenues	<u>2,237,680</u>	<u>2,292,670</u>	<u>2,028,147</u>	<u>2,289,661</u>	<u>3,379,797</u>
<u>General Fund Expenditures</u>					
Current	1,912,813	1,915,124	1,855,427	1,700,550	1,703,218
Capital outlay	73,505	210,726	298,266	368,890	1,663,033
Debt service	74,033	127,036	125,722	43,826	43,826
Total Expenditures	<u>2,060,351</u>	<u>2,252,886</u>	<u>2,279,415</u>	<u>2,113,266</u>	<u>3,410,077</u>
Revenues Over (Under) Expenditures	<u>\$ 177,329</u>	<u>\$ 39,784</u>	<u>\$ (251,268)</u>	<u>\$ 176,395</u>	<u>\$ (30,280)</u>
<u>Debt Service Fund Revenues</u>					
Property taxes, penalties and int.	\$ 397,628	\$ 374,492	\$ 329,156	\$ 335,693	\$ 369,918
Investment income and other	2,341	9,975	1,507	2,787	319
Total Revenues	<u>399,969</u>	<u>384,467</u>	<u>330,663</u>	<u>338,480</u>	<u>370,237</u>
<u>Debt Service Fund Expenditures</u>					
Debt service	430,904	438,804	368,869	330,473	330,104
Total Expenditures	<u>430,904</u>	<u>438,804</u>	<u>368,869</u>	<u>330,473</u>	<u>330,104</u>
Revenues Over (Under) Expenditures	<u>\$ (30,935)</u>	<u>\$ (54,337)</u>	<u>\$ (38,206)</u>	<u>\$ 8,007</u>	<u>\$ 40,133</u>
Total Active Retail Water Connections	<u>2,232</u>	<u>2,204</u>	<u>2,171</u>	<u>2,181</u>	<u>2,193</u>
Total Active Retail Wastewater Connections	<u>1,923</u>	<u>1,902</u>	<u>1,878</u>	<u>1,907</u>	<u>1,909</u>

Percent of Total Fund Revenues

2020	2019	2018	2017	2016
86.7 %	82.4 %	85.5 %	70.4 %	45.6 %
9.7	9.6	10.2	6.0	4.3
2.6	2.4	2.7	2.4	2.2
1.0	5.6	1.6	21.2	47.9
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
85.5	83.5	91.5	74.3	50.4
3.3	9.2	14.7	16.1	49.2
3.3	5.5	6.2	1.9	1.3
<u>92.1</u>	<u>98.2</u>	<u>112.4</u>	<u>92.3</u>	<u>100.9</u>
<u>7.9 %</u>	<u>1.8 %</u>	<u>(12.4) %</u>	<u>7.7 %</u>	<u>(0.9) %</u>
99.4 %	97.4 %	99.5 %	99.2 %	99.9 %
0.6	2.6	0.5	0.8	0.1
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
107.7	114.1	111.6	97.6	89.2
<u>107.7</u>	<u>114.1</u>	<u>111.6</u>	<u>97.6</u>	<u>89.2</u>
<u>(7.7) %</u>	<u>(14.1) %</u>	<u>(11.6) %</u>	<u>2.4 %</u>	<u>10.8 %</u>

Galveston County Water Control and Improvement District No. 8

TSI-8

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

December 31, 2020

District's Mailing Address:	P.O. Box 337, Sante Fe, Texas 77510
District's Business Telephone Number:	(409) 925-2821
Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054)	June 22, 2020
Limit on Fees of Office that a Director may receive during a year:	\$ 7,200

Names	Term or Date Hired	Fees of Office Paid	Expenses	Title at Year-End
<u>Board Members</u>				
C. T. Anderson	5/18-5/22	\$ 2,100		President
William F. "Fritz" Barnett	5/18-5/22	2,550		Vice- President
David K. Tyner	5/20-5/24	2,550		Secretary/ Treasurer
Bobby J. Wylie	5/18-5/22	2,250		Assistant Secretary/ Treasurer
Ralph Stenzel	5/20-5/24	1,500		Director
Max D. Tully		150		Former Director
<u>Key Administrative Personnel</u>				
James Newman	2004			General Manager
<u>Consultants</u>				
		Amounts Paid		
Bacon & Wallace, L.L.P.		\$ 32,593		Attorney
Bacon & Wallace, L.L.P.		147,410		Bond Counsel
Sante Fe ISD		2,400		Tax Collector
Galveston Central Appraisal District		4,684		Appraisal District
Perdue Brandon Fielder Collins & Mott, LLP		3,595		Delinquent Tax Attorney
Sander Engineers		137,075		Engineer
Post Oak Municipal Advisors., LLC		125,078		Financial Advisor
Knox Cox & Company, LLP		14,500		Independent Auditor

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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