

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

NEW ISSUE—BOOK-ENTRY ONLY

CUSIP No. 36423T

\$3,000,000
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT No. 79
 (A political subdivision located within Galveston County, Texas)
UNLIMITED TAX BONDS
SERIES 2024

Dated: July 1, 2024

Due: April 1 (as shown below)

Interest on the \$3,000,000 Unlimited Tax Bonds, Series 2024 (the “Bonds” or the “Series 2024 Bonds”) will accrue from July 1, 2024, and will be payable on October 1 and April 1 of each year, commencing October 1, 2024. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK ENTRY-ONLY SYSTEM” herein. The initial Paying Agent/Registrar is BOKF, N.A., Dallas, Texas. See “THE BONDS – Paying Agent/Registrar.”

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Yield (a)</u>
\$50,000	2028	6.875%	4.200%	\$50,000	2029	6.875%	4.200%
		\$150,000 6.875%	Term Bond Due April 1, 2031 to Yield 4.200% (a) (b) (c)				
		\$150,000 5.500%	Term Bond Due April 1, 2033 to Yield 4.200% (a) (b) (c)				
		\$1,550,000 4.625%	Term Bond Due April 1, 2047 to Yield 4.625% (a) (b) (c)				
		\$1,050,000 4.375%	Term Bond Due April 1, 2053 to Yield 4.700% (a) (b) (c)				

- (a) The initial reoffering yields are established by and are the sole responsibility of the Underwriter (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2030, are subject to redemption in whole or from time to time in part, at the option of the District (hereinafter defined), on April 1, 2029, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If fewer than all of the Bonds within a maturity are redeemed, the Bonds to be redeemed shall be selected, on behalf of the District, by the Paying Agent/Registrar, in its capacity as Registrar, by lot or such other customary method, in integral multiples of \$5,000 in any one maturity. See “THE BONDS—Optional Redemption.”
- (c) Subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Redemption.”

The proceeds of the Bonds will be used by Galveston County Municipal Utility District No. 79 (the “District”) to: (1) reimburse the Developer (hereinafter defined) for advancing certain reimbursable development costs for facilities located in the Central Park subdivision; (2) reimburse the Developer for engineering and technical services costs associated with item (1) above; (3) fund certain drainage impact fees previously paid by the Developer; (4) pay principal, accrued interest and costs of issuance on the Series 2023 Bond Anticipation Note as defined herein; (5) reimburse the Developer for certain interest costs approved by the TCEQ; (6) fund \$225,000 of capitalized interest on the Bonds; and (7) pay certain District operating costs, administrative costs and costs of issuance of the Bonds. See “USE OF BOND PROCEEDS.” The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Galveston County, the City of Texas City, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Galveston County, or the City of Texas City is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about July 25, 2024.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT.....	1
CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12	2
NO MUNICIPAL BOND RATING	3
OFFICIAL STATEMENT SUMMARY	4
SELECTED FINANCIAL INFORMATION	7
DEBT SERVICE REQUIREMENTS	8
INTRODUCTION.....	9
RISK FACTORS	9
USE OF BOND PROCEEDS	16
THE DISTRICT	17
THE DISTRICT'S DEVELOPERS	18
DESCRIPTION OF THE SYSTEM SERVING THE DISTRICT	19
MANAGEMENT OF THE DISTRICT	19
DISTRICT INVESTMENT POLICY.....	20
DISTRICT DEBT.....	23
DISTRICT TAX DATA.....	24
TAXING PROCEDURES.....	26
DISSOLUTION BY THE CITY OF TEXAS CITY	30
THE BONDS.....	30
BOOK-ENTRY-ONLY SYSTEM	34
LEGAL MATTERS.....	35
TAX MATTERS	36
REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS	37
OFFICIAL STATEMENT	38
MISCELLANEOUS	38
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT	A
AERIAL PHOTOGRAPHS	B

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, 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 Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of duplication costs.

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

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of this Official Statement for any purpose.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Underwriter"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.008450% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.733798% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Underwriter.

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

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over the 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 bids and asked prices of bonds of comparable maturity and quality issued by more traditional municipal entities as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("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 nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. 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.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB or any successor to its functions as a repository through its EMMA system. The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024. The District will provide the updated information to EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by 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, the District will 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 Resolution 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 September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The terms "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provisions 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 updated information only to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB. The MSRB makes this information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The Bonds represent the first series of bonds to be issued by the District, therefore, the District has not previously entered into a continuing disclosure agreement pursuant to SEC Rule 15c2-12.

NO MUNICIPAL BOND RATING

The District has not made an application for an underlying rating on the Bonds to any municipal bond rating service. It is not anticipated that the District would have received an investment grade rating had such rating been applied for.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

- Description:** The \$3,000,000 Unlimited Tax Bonds, Series 2024 (the "Series 2024 Bonds") or (the "Bonds"), are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, relating to the issuance of bonds by political subdivisions, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be adopted by the Board of Directors of the District, an approving order of the Texas Commission on Environmental Quality (the "TCEQ"), and an election held within the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing direct annual ad valorem tax levied against all taxable property within the District, which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Galveston County, Texas City, or any other political subdivision or agency. See "THE BONDS - Source of and Security for Payment."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2030, are subject to early redemption, in whole or from time to time in part, on April 1, 2029, or on any date thereafter at the option of the District at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption." The Bonds maturing on April 1 in the years 2031, 2033, 2047 and 2053 are Term Bonds and are subject to annual mandatory sinking fund redemption beginning on April 1 in the years 2030, 2032, 2034 and 2048, respectively. See "THE BONDS – Mandatory Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, and interest on, the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."
- Legal Opinion:** Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** BOKF, N.A., Dallas, Texas.
- Payment Record:** The Bonds represent the first issuance of bonds by the District, therefore, the District has never defaulted in the payment of principal or interest on any bonds or outstanding obligations.
- Short Term Debt:** The District issued its \$1,500,000 Bond Anticipation Note, Series 2023 (the "Series 2023 BAN") on August 4, 2023, with a maturity date of August 2, 2024. Proceeds from the Series 2023 BAN were used to reimburse the Developer for a portion of the construction costs shown herein under "USE OF BOND PROCEEDS."
- Outstanding Bonds:** The Bonds represent the first issuance of bonds by the District.
- Risk Factors:** The Bonds are subject to certain investment considerations as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Use of Proceeds:** The proceeds of the Bonds will be used by Galveston County Municipal Utility District No. 79 (the "District") to: (1) reimburse the Developer (hereinafter defined) for advancing certain reimbursable development costs for facilities located in the Central Park subdivision; (2) reimburse the Developer for engineering and technical services costs associated with item (1) above; (3) fund certain drainage impact fees previously paid by the Developer; (4) pay principal, accrued interest and costs of issuance on the Series 2023 Bond Anticipation Note as defined herein; (5) reimburse the Developer for certain interest costs approved by the TCEQ; (6) fund \$225,000 of capitalized interest on the Bonds; and (7) pay certain District operating costs, administrative costs and costs of issuance of the Bonds. See "USE OF BOND PROCEEDS."
- Qualified Tax Exempt Obligations:** The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
- No Municipal Bond Rating:** The District has not made an application for an underlying rating on the Bonds to any municipal bond rating service. It is not anticipated that the District would have received an investment grade rating had such rating been applied for.

THE DISTRICT

Description:

The District is a municipal utility district created on August 17, 2020, by an order of the TCEQ. The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operates pursuant to Chapters 49 and 54, of the Texas Water Code, as amended. The District is located within the City of Texas City, Texas (herein “Texas City” or the “City”). All District facilities are transferred to Texas City, and the District operates no facilities and collects no water and sewer revenues.

The District is currently comprised of two non-contiguous subdivisions that are located in central Galveston County, east of Interstate 45, totaling approximately 112 acres. The District, as it was originally created, included approximately 89 acres (Central Park, Sections 1 & 2). In April 2024, the District annexed approximately 23 acres known as the Herons Landing, Sections 3 & 4.

The first non-contiguous subdivision is known as the Central Park subdivision, which is located west of State Highway 3, East of Century Boulevard, and north of Emmett F Lowry Expressway. Approximately 38 acres (151 lots) in the Central Park subdivision have been developed as Central Park, Sections 1 & 2. The 73 lots in Section 1 are substantially built out; all of the homes in Section 1 have been constructed by D R Horton. According to D R Horton, the homes in Section 1 have been marketed in the \$325,000 price range. The land development work in Section 2 was completed in June 2023; there are currently 22 lots with homes that are completed or substantially completed. It is currently anticipated that the homebuilding on the remaining 56 lots in Section 2 will be completed by December 2024, given the current rate of homebuilding in this section by D R Horton. According to D R Horton, homes in Section 2 are being marketed in the \$325,000 price range.

The second non-contiguous subdivision tract is known as the Heron’s Landing, Section 3 & 4, which is south of Dollar Bay, adjacent to existing Heron’s Landing Section 2 Subdivision to the west, north of 25th Avenue North, and to the east of State Highway 146. Heron’s Landing, Section 3 includes nine acres (36 lots); the land development work in Section 3 is substantially complete and it is anticipated that home building will begin in this section in June 2024. All of the lots in Section 3 have been sold to and are currently owned D R Horton. It is currently anticipated that the 14 acres in Herons Landing, Section 4 will be under development in June 2024 and that the 44 lots in this section will be available for home building in December 2024. The 44 lots in Heron’s Landing Section 4 are subject to a letter of intent to purchase such lots by D R Horton.

See "THE DISTRICT – Description, Location, and Development, “– Location Map,” and “APPENDIX B – Aerial Photographs.”

Status of Land Use in the District:

A summary of the approximate land use in the District as of May 1, 2024, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Developed Acres	47
Acres Under Development	14
Additional Developable Acreage	49
Other Undevelopable Acres	<u>2</u> (a)
Total Approximate Acres	112

(a) Includes collector streets, pipeline easements, drainage easements, landscaping/open spaces, and oil and gas drill sites.

Development in the District:

As of May 1, 2024, the District included 92 completed homes, 6 homes under construction, and 53 vacant developed lots. See "THE DISTRICT – Status of Land Development/Land uses in the District," "Current Status of Residential Development," and "APPENDIX B – AERIAL PHOTOGRAPHS."

The Developers:

The current developer in the Central Park subdivision is Binnacle Texas City Ninety, LLC (herein “Binnacle”). The current developer in Heron’s Landing subdivision is Heron’s Landing Development, LLC.

Binnacle and Heron’s Landing Development, LLC are solely owned by or controlled by Jerry W. LeBlanc, Jr. The two are collectively referred to herein as the “Developers” and are each a “Developer.” See “THE DISTRICT’S DEVELOPERS.”

Potential Future Annexations:

The District has received petitions for the annexation of two tracts of land from two separate developer entities controlled by Jerry W. Leblanc, Jr. According to Mr. LeBlanc, the Brookwater tract (50.65 acres) and the Marlow Lake North tract (48.98 acres) are both planned to be developed as single-family residential subdivisions. The City is currently in receipt of the District’s request for consent to both annexations. However, the District makes no representation as to if or when such consent by the City will be provided.

Water Supply Facilities: All developments within the District lie within the city limits of Texas City. The City provides water service to the developed lots in the District. Impact fees are paid to the City by the builder, D.R. Horton; such fees are paid at the time as the residential building permits are approved by the City. Monthly water bills are paid by the residents of the District directly to the City.

Wastewater Treatment Plant Capacity: Wastewater treatment facilities are provided to the District by the Texas City's Wallace R. Knox Wastewater Treatment Plant. The existing wastewater treatment plant has adequate capacity for the developed lots in the District. The City provides wastewater service to the developed lots in the District. Impact fees are paid to the City by the builder, D.R. Horton; such fees are paid at the time as the residential building permits are approved by the City. Monthly sewer bills are paid by the residents of the District directly to the City.

Drainage in the District: Drainage in the District generally flows from the District's storm sewer lines to the Galveston County Drainage District No. 2 facilities (or Texas City Rainwater Channel) and then to Moses Lake. According to the District's Engineer, none of the land located in the District lies within the 100-year flood plain. See "DESCRIPTION OF THE SYSTEM SERVING THE DISTRICT – District Drainage System."

SELECTED FINANCIAL INFORMATION
(Unaudited)

5/1/2024 Estimated Taxable Value	\$30,038,954	(a)
2023 Certified Taxable Value	\$7,209,335	(b)
Direct Debt		
Outstanding Bonds	\$0	
The Bonds	<u>\$3,000,000</u>	
Total Direct Debt	\$3,000,000	
Estimated Overlapping Debt (See "DISTRICT DEBT")	<u>\$503,730</u>	
Direct and Estimated Overlapping Debt	\$3,503,730	
Percentage of Direct Debt to:		
5/1/2024 Estimated Taxable Value	9.99%	
2023 Certified Taxable Value	41.61%	
See "DISTRICT DEBT"		
Percentage of Direct and Estimated Overlapping Debt to:		
5/1/2024 Estimated Taxable Value	11.66%	
2023 Certified Taxable Value	48.60%	
See "DISTRICT DEBT"		
2023 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.00	
Maintenance Tax	<u>\$1.00</u>	
Total 2023 Tax Rate	\$1.00	
Cash and Temporary Investment Balances		
General Fund (As of June 11, 2024)	\$23,898	
Debt Service Fund	\$225,000	(c)

-
- (a) Reflects data supplied by the Galveston Central Appraisal District ("GALCAD"). The Estimated Taxable Value as of 5/1/2024 was prepared by GALCAD and provided to the District. Such value is not binding on GALCAD, and any new value (subsequent to January 1, 2024) will not be included on the District's tax roll until the 2025 tax roll is prepared and certified by GALCAD during the second half of 2025. See "TAX DATA" and "TAX PROCEDURES."
- (b) Reflects the 2023 Certified Taxable Value according to data supplied by GALCAD. See "DISTRICT TAX DATA."
- (c) The cash and investment balance in the Debt Service Fund. The figure above includes the capitalized interest (\$225,000) to be funded with the proceeds of the Bonds to be deposited into such fund on the date of delivery of the Bonds. Neither Texas law nor the District's Bond Resolution requires that the District maintain any particular balance in the Debt Service Fund. See "DISTRICT TAX DATA - Tax Adequacy of Tax Revenue."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the District's Bonds.

<u>Year</u>	<u>Debt Service on the Series 2024 Bonds</u>		<u>Total Debt Service Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2024	-	\$35,766	\$35,766
2025	-	\$143,063	\$143,063
2026	-	\$143,063	\$143,063
2027	-	\$143,063	\$143,063
2028	\$50,000	\$141,344	\$191,344
2029	\$50,000	\$137,906	\$187,906
2030	\$75,000	\$133,609	\$208,609
2031	\$75,000	\$128,453	\$203,453
2032	\$75,000	\$123,813	\$198,813
2033	\$75,000	\$119,688	\$194,688
2034	\$75,000	\$115,891	\$190,891
2035	\$75,000	\$112,422	\$187,422
2036	\$100,000	\$108,375	\$208,375
2037	\$100,000	\$103,750	\$203,750
2038	\$100,000	\$99,125	\$199,125
2039	\$100,000	\$94,500	\$194,500
2040	\$100,000	\$89,875	\$189,875
2041	\$100,000	\$85,250	\$185,250
2042	\$100,000	\$80,625	\$180,625
2043	\$125,000	\$75,422	\$200,422
2044	\$125,000	\$69,641	\$194,641
2045	\$150,000	\$63,281	\$213,281
2046	\$150,000	\$56,344	\$206,344
2047	\$150,000	\$49,406	\$199,406
2048	\$150,000	\$42,656	\$192,656
2049	\$150,000	\$36,094	\$186,094
2050	\$175,000	\$28,984	\$203,984
2051	\$175,000	\$21,328	\$196,328
2052	\$200,000	\$13,125	\$213,125
2053	<u>\$200,000</u>	<u>\$4,375</u>	<u>\$204,375</u>
TOTALS	\$3,000,000	\$2,600,234	\$5,600,234

Maximum Annual Debt Service Requirements (2045).....	\$213,281
\$0.75 tax rate on 5/1/2024 Estimated Taxable Valuation of \$30,038,954 @ 95% collections produces	\$214,028
\$3.12 tax rate on 2023 Certified Taxable Valuation of \$7,209,335 @ 95% collections produces	\$213,685

See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

**OFFICIAL STATEMENT
relating to**

\$3,000,000

**GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT No. 79
(A political subdivision of the State of Texas located within Galveston County, Texas)**

**UNLIMITED TAX BONDS
SERIES 2024**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$3,000,000 Galveston County Municipal Utility District No. 79 Unlimited Tax Bonds, Series 2024 (the "Bonds").

The Bonds are issued pursuant to Article XVI Section 59 the Texas Constitution and general laws of the State of Texas, including but not limited to, Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be adopted by the Board of Directors of Galveston County Municipal Utility District No. 79 (the "District"), an election held within the District, and an order of the TCEQ (the "TCEQ Order").

This Official Statement includes descriptions of the Bonds, the Bond Resolution, certain information about the District and its financial condition, and the Developer in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Galveston County, Texas City, or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to generate property taxes to pay debt service at current levels.

Marketability

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

Tax Collections

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be impaired by (a) repetitive, annual, expensive collection procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies".

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money

damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

A District cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

As required by law, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors

The continued growth and maintenance of taxable values in the District is directly related to the housing/home building industry. Historically, the housing and home building industry has been a cyclical industry, affected by both short-term and long-term interest rates, availability of mortgage and development funds, labor conditions, and general economic conditions including the relative price of oil and natural gas. Any future commercial building in the District (if any) could also be adversely affected by such economic developments.

Interest rates and the availability of mortgage and development funds have a direct impact on construction activity, particularly the short-term interest rates at which developers and builders are able to obtain financing for development or building costs. Interest rate levels may affect the developers' or builders' ability to complete development or building plans. Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The continuation of long-term interest rates at higher levels may negatively affect home sales and the rate of growth of taxable values in the District.

The Houston metropolitan area has, in the past, experienced increased unemployment, business failures, and slow absorption of office space. These factors, if they recur, could affect the demand for new residential home construction and commercial development and hence the growth of property values in the District. An oversupply of homes, along with a decreased demand in new housing because of general economic conditions or relatively high interest rates, may have an adverse impact on sale prices for homes and, consequently, may materially adversely affect property values or, in some instances, cause builders to abandon homebuilding plans altogether.

The housing industry in the Houston area is competitive and the District can give no assurance that current building programs will be completed. The competitive position of the Developer in the sale of its developed lots or, respectively, that of present and prospective builders in the construction of single-family residential houses, is affected by most of the factors discussed herein. Such a competitive position is directly related to tax revenues to be received by the District and the growth and maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements and within the market area in which the District is located. Such sites could pose competition to the continued homebuilding development and commercial development on comparable sites within the District.

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.

Dependence on the Energy Industry

The economy of the Houston metropolitan area, which has sometimes been referred to as the energy capital of the world, is, in part, dependent upon the oil and gas and petrochemical industries. During the height of the COVID-19 pandemic in 2020, worldwide consumption of energy decreased dramatically and led to the lowest oil prices in three decades. This led to layoffs of workers, business failures and reduced capital and operating expenditures by energy companies. While there has been some rebound, Houston area jobs in the energy industry have not fully recovered. In 2021, the United States rejoined the 2015 Paris Climate Accords, under which many countries have agreed to move away from fossil fuels to alleviate climate change. Although major energy companies expect that fossil fuels will be vital to the global economy for many years to come, they have recognized the need to direct more investment toward various clean energy projects. The pace and success of these efforts could significantly affect the Houston economy in the future.

Landowners/Developer under No Obligation to the District

Neither of the Developers nor any other landowner within the District have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any landowner's right (including the Developers) to sell its land. Failure to construct taxable improvements on developed lots (anticipated to be created by the Developers) and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

Dependence on Future Development and Potential Impact on District Tax Rates

Assuming no further residential building development within the District, other than that which has been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay ad valorem taxes levied by the District. After the issuance of the Bonds, the maximum annual debt service requirement will be \$213,281 (2045). The District's 5/1/2024 Estimated Taxable Value is \$30,038,954. Assuming no increase or decrease from the 5/1/2024 Estimated Taxable Value and no use of other District funds, a tax rate of \$0.75 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the maximum annual debt service requirement. The District's 2023 Certified Taxable Value is \$7,209,335. Assuming no increase or decrease from the 2023 Certified Taxable Value and no use of other District funds, a tax rate of \$3.12 per \$100 of Assessed Valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirements. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Operating Funds

Landowners within the District receive water and sewer service from the City. The District does not operate the water and wastewater system and, therefore, does not receive payments from customers for water and wastewater service. The District set a 2023 maintenance tax rate in the amount of \$1.00 per \$100 of assessed valuation. The revenue produced from the maintenance tax (\$76,567) was not sufficient to offset the District's operating expenses (\$123,279). Additional funds were provided by Developer advances totaling \$142,500. Additionally, for the fiscal year ending March 31, 2024, the District is currently budgeting operating expenditures of approximately \$103,543, O&M tax revenues of \$60,000 and \$96,250 of developer advances. The District currently has a pro-forma cash balance of \$28,978 as of July 1 (after releasing checks totaling \$64,429 on June 2024). The general partner of the Developer(s) (Jerry W. LeBlanc, Jr.) has indicated his intention to advance additional funds in fiscal years 2024 and 2025 to support the District as necessary. Maintenance of a positive General Fund balance will continue to be dependent upon: (i) continued homebuilding development in the District meaning increased amounts of maintenance tax revenue; and (ii) operating advances from the Developer from time to time (such operating advances may be reimbursed from proceeds of future District bond issues).

Upon request from the District from time to time, the Developer has made operating advances to the District's General Fund. If its General Fund balance is depleted, then the District will be required to levy a maintenance tax at a rate sufficient to fund all its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax which could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. The District expects that it will be able to maintain a total tax rate of \$1.00 subsequent to the sale of the Bonds. The Developer has entered into an agreement with the District memorializing its obligation to make operating advances to the District as may be required from time to time.

Future Debt

After the issuance of the Bonds, the District will have \$70,600,000 of unlimited tax bonds for construction of the water, sanitary sewer, and drainage and storm sewer facilities, \$18,400,000 of unlimited tax bonds for refunding bonds issued for construction of the water, sanitary sewer, and drainage and storm sewer facilities, \$44,240,000 of unlimited tax bonds for construction of parks and recreational facilities, \$11,060,000 of unlimited tax bonds for refunding bonds issued for construction of parks and recreational facilities, \$55,200,000 of unlimited tax bonds for construction of road facilities, and \$13,800,000 of unlimited tax bonds for refunding bonds issued for construction road facilities. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Any future new money bonds to be issued by the District (with the exception of bonds issued for construction of road facilities.) must also be approved by the TCEQ.

The District currently has one outstanding bond anticipation note; the total principal amount of the bond anticipation note is \$1,500,000. The District is issuing the Bonds in part to pay the interest on and refund the principal of the outstanding bond anticipation note.

Financing Parks and Recreational Facilities

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. In addition, the District has prepared a detailed park plan, and the parks and recreational facilities bonds have been authorized by the qualified voters in the District at an election held within and for the District on November 3, 2020. However, before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of a City ordinance authorizing park bonds; (b) approval of the park project and bonds by the TCEQ; (c) approval of the bonds by the Attorney General of Texas; and (d) approval of the Bonds by the City. 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 meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not more than three percent of the value of the taxable property in the District. The Board is not considering issuing parks and recreational facilities bonds at this time.

Current law may be changed in a manner to increase the amount of bonds that may be issued as related to a percentage of the value of taxable property or to allow a higher or lower maintenance tax rate for such purposes. The levy of taxes for such purposes may dilute the security for the Bonds.

Continuing Compliance with Certain Covenants

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

Environmental Regulations

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

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

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

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

The HGB Area is currently designated as a “severe” nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. 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 “moderate” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2024. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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) (“CGP”), with an effective date of March 5, 2023, 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. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The 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 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Changes in Tax Legislation

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

Severe Weather

The District is located approximately 17 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.

The greater Houston area has experienced multiple storms exceeding a 0.2% probability of occurrence (i.e., “500-year flood” events) since 2015. If the District were to sustain damage to its facilities as a result of such a storm (or any other severe weather event) requiring substantial repair or replacement, or if substantial damage to taxable property within the District were to occur as a result of a severe weather event, the investment security of the Bonds could be adversely affected.

Hurricane Harvey

The Houston area, including Galveston County, sustained widespread wind and rain damage and flooding as a result of Hurricane Harvey’s landfall along the Texas Gulf Coast on August 25, 2017, and historic levels of rainfall during the succeeding four days. Based on information available to the District the City’s System serving the District did not sustain any significant damage from Hurricane Harvey. At the time of the storm there were no homes in the District.

Winter Storm Uri

From February 12-19, 2021, the State of Texas experienced a severe winter storm (“Winter Storm Uri”) which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the District. The federal government issued a Major Disaster Declaration for the State of Texas and has included federal funding for emergency protective measures. The District did not sustain material damage to its infrastructure during Winter Storm Uri. However, the City was unable to provide the District with potable water supply as a result of issues relating to the City’s water supply system. At the time of the storm there were no homes in the District. The District cannot predict the impact of future winter weather events.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

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

Temporary Tax Exemption for Property Damaged by Disaster

The Property Tax Code (hereinafter defined) provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically 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.

Atlas 14

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Tax Payment Installments

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, 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. See "TAXING PROCEDURES."

In addition, under the Texas Tax Code, solely at the District's discretion, quarterly payments of ad valorem taxes on all taxable personal property of a business that lost money during a declared disaster or emergency regardless of whether the property was directly damaged as a result of the disaster or emergency are allowed.

USE OF BOND PROCEEDS

The proceeds of the Bonds will be used by the District to: (1) reimburse the Developer for advancing certain reimbursable development costs for facilities located in the Central Park subdivision; (2) reimburse the Developer for engineering and technical services costs associated with item (1) above; (3) fund certain drainage impact fees previously paid by the Developer; (4) pay principal, accrued interest and costs of issuance on the Series 2023 Bond Anticipation Note as defined herein; (5) reimburse the Developer for certain interest costs approved by the TCEQ; (6) fund \$225,000 of capitalized interest on the Bonds; and (7) pay certain District operating costs, administrative costs and costs of issuance of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

CONSTRUCTION COSTS	<u>Total Amount</u>
<i>Developer Contribution Items</i>	
Central Park, Section 1 W, WW, D and Paving	\$1,106,061
Central Park, Section 1 and 2 Clearing and Grubbing	\$31,954
Engineering and Technical Services	<u>\$702,716</u>
<i>Total Developer Contribution Items</i>	<i>\$1,840,731</i>
 <i>District Items</i>	
Drainage Impact Fees	<u>\$44,323</u>
<i>Total District Items</i>	<i>\$44,323</i>
 TOTAL CONSTRUCTION COSTS	 \$1,885,054
 NON-CONSTRUCTION COSTS	
Legal Fees	\$90,000
Financial Advisor Fees	\$60,000
Capitalized Interest	\$225,000
Developer Interest	\$210,708
BAN Interest	\$60,000
Bond Discount	\$89,747
Creation Costs	\$78,543
Operating Expenses	\$145,000
Bond Issuance Expenses	\$20,062
BAN Issuance Expenses	\$37,103
Bond Application Report Costs	\$75,000
Market Study	\$13,030
Attorney General Fee	\$3,000
TCEQ Bond Issuance Fee	\$7,500
Contingency	<u>\$253</u> (b)
TOTAL NON-CONSTRUCTION COSTS	\$1,114,946
 TOTAL BOND ISSUE REQUIREMENT	 \$3,000,000

(a) TCEQ rules require, with certain exceptions, that developers contribute to the District's construction program a minimum of 30% of the construction costs of certain system facilities. The District requested a waiver of the 30% developer contribution rule and such waiver was granted by the TCEQ pursuant to such exceptions.

(b) Represents the difference between the actual and estimated amount of Bond discount. Such funds may be used by the District only in accordance with the TCEQ rules.

THE DISTRICT

Authority

The District is a municipal utility district created on August 17, 2020, by an order of the TCEQ. The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operates pursuant to Chapters 49 and 54, Texas Water Code as amended. The District as originally created comprised of approximately 89 acres; an annexation of approximately 23 acres was completed in April 2024 bringing the total number of acres in the District to approximately 112 acres. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District is empowered to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water.

Under certain limited circumstances the District also is authorized to construct, develop, and maintain park and recreational facilities and to construct roads. In addition, the District is authorized to establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provides such facilities and services to the customers of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent of Texas City, the District has agreed to observe certain City requirements. These requirements limit the purposes for which the District may sell bonds for the acquisition and improvement of waterworks, wastewater, drainage, parks and road facilities; limit the net effective interest rate on such bonds and other terms of such bonds; and require the City's approval of certain of the District's construction plans and specifications. See "DESCRIPTION OF THE SYSTEM SERVING THE DISTRICT."

Description, Location, and Development

The District is a municipal utility district created on August 17, 2020, by an order of the TCEQ. The District was created pursuant to the authority of Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and operates pursuant to Chapters 49 and 54, of the Texas Water Code, as amended. The District is located within Texas City. All District facilities are transferred to Texas City, and the District operates no facilities and collects no water and sewer revenues.

The District is currently comprised of two non-contiguous subdivisions that are located in central Galveston County, east of Interstate 45, totaling approximately 112 acres. The District, as it was originally created, included approximately 89 acres (Central Park, Sections 1 & 2). In April 2024, the District annexed approximately 23 acres known as the Herons Landing, Sections 3 & 4.

The first non-contiguous subdivision is known as the Central Park subdivision, which is located west of State Highway 3, East of Century Boulevard, and north of Emmett F Lowry Expressway. Approximately 38 acres (151 lots) in the Central Park subdivision have been developed as Central Park, Sections 1 & 2. The 73 lots in Section 1 are substantially built out; all of the homes in Section 1 have been constructed by D R Horton. According to D R Horton, the homes in Section 1 have been marketed in the \$325,000 price range. The land development work in Section 2 was completed in June 2023; there are currently 22 lots with homes that are completed or substantially completed. It is currently anticipated that the homebuilding on the remaining 56 lots in Section 2 will be completed by December 2024, given the current rate of homebuilding in this section by D R Horton. According to D R Horton it is anticipated that homes in Section 2 are being marketed in the \$325,000 price range.

The second non-contiguous subdivision tract is known as the Heron's Landing, Section 3 & 4, which is south of Dollar Bay, adjacent to existing Heron's Landing Section 2 Subdivision to the west, north of 25th Avenue North, and to the east of State Highway 146. Heron's Landing, Section 3 includes nine acres (36 lots); the land development work in Section 3 is substantially complete and it is anticipated that home building will begin in this section in June 2024. All of the lots in Section 3 have been sold to and are currently owned D R Horton. It is currently anticipated that the 14 acres in Herons Landing, Section 4 will be under development in June 2024 and that the 44 lots in this section will be available for home building in December 2024. The 44 lots in Heron's Landing Section 4 are subject to a letter of intent to purchase such lots by D R Horton.

As of May 1, 2024, the District included 92 completed homes, 6 homes under construction, and 53 vacant developed lots.

Status of Land Development/Land Uses in the District

A summary of the approximate land use in the District as of May 1, 2024, appears in the following table:

<u>Type of Land Use</u>	<u>Approximate Acres</u>
Developed Acres	47
Acres Under Development	14
Additional Developable Acreage	49
Other Undevelopable Acres	2 (a)
Total Approximate Acres	112

(a) Includes collector streets, pipeline easements, drainage easements, landscaping/open spaces, and oil and gas drill sites.

Current Status of Residential Development

The approximate status of development in the District as of May 1, 2024 is summarized in the table below:

<u>Subdivision/Section</u>	<u>Approx. Acres</u>	<u>Total Lots</u>	Homes		
			<u>Complete</u>	<u>Under Construction</u>	<u>Vacant Lots</u>
Central Park, Section 1 (a)	20	73	70	0	3
Central Park, Section 2 (b)	18	78	22	6	50
Heron's Landing, Section 3 (c)	9	36	0	0	0
Heron's Landing, Section 4 (d)	14	44	0	0	0
Other Developable Acreage (e)	49	-	-	-	-
Non-Developable Acreage (f)	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	112	231	92	6	53

- (a) All of the homes in this section has been constructed by D R Horton and has marketed homes in the \$325,000 price range.
- (b) The lots in this section were platted and became available for homebuilding in June 2023. D R Horton has purchased all of the lots and is marketing homes in the \$325,000 price range.
- (c) The plat for the lots in this section was recorded in April 2024. The Developer is currently awaiting the extension of power to these lots. D R Horton has purchased all of the lots in this section. D R Horton has indicated plans to market homes in the \$325,000 price range.
- (d) The land development work in this section is underway; it is currently anticipated that the lots will be available for homebuilding during December 2024. The lots in this section have been sold to D R Horton who is responsible for purchasing al of the lots upon substantial completion of the lots. D R Horton has indicated plans to market homes in this section in the \$325,000 price range.
- (e) Represents additional acreage located in the Central Park subdivision that may be developed in the future as Central Park, Sections 3 and 4.
- (f) Represents land located in certain street rights of way.

Potential Future Annexations

The District has received petitions for the annexation of two tracts of land from two separate developer entities controlled by Jerry W. LeBlanc, Jr. According to Mr. LeBlanc, the Brookwater tract (50.65 acres) and the Marlow Lake North tract (48.98 acres) are both planned to be developed as single-family residential subdivisions. The City is currently in receipt of the District’s request for consent to both annexations. However, the District makes no representation as to if or when such consent by the City will be provided.

THE DISTRICT’S DEVELOPERS

Role of a Developer

In general, the activities of developers in a municipal utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater and drainage facilities in the utility district exclusive of water and sewage treatment plants, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer’s inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer’s right to sell any or all of the land that the developer owns within a district.

Developer in Central Park

The current developer in the Central Park subdivision is Binnacle Texas City Ninety, LLC (herein “Binnacle”). Binnacle is a Texas limited liability company whose sole partner is Jerry W. LeBlanc, Jr. Binnacle currently has a fixed rate development loan with Next Level Capital with an outstanding balance of approximately \$3.6 million. The loan is evidenced by a Loan Agreement, Note, and a Deed of Trust. The loan is currently secured by the undeveloped land in Central Park, reimbursements to be received from the District and lots sale revenues. Additionally, the loan is secured by the personal guarantee of Jerry W. LeBlanc, Jr. The loan matures on September 30, 2024.

Developer in Heron’s Landing, Sections 3 and 4

The Developer in Heron’s Landing, Sections 3 & 4 is Heron’s Landing Development, LLC (herein “HLD”). As previously noted, such sections include approximately 23 acres that are planned to be developed into approximately 80 single family lots. Heron’s Landing Development, LLC is a Texas limited liability company whose sole partner is Jerry W. LeBlanc, Jr. D R Horton has purchased all of the lots in Section 3 and has executed a lots sale contract to purchase all of the lots in Section 4. HLD currently has a fixed rate development loan with Next Level Capital with an outstanding balance of approximately \$3.4 million. The loan is evidenced by a Loan Agreement, Note, Deed of Trust and is currently secured by the undeveloped land in Heron’s Landing, reimbursements to be received from the District and lots sale revenues. Additionally, the loan is secured by the personal guarantee of Jerry W. LeBlanc, Jr. The loan matures on June 30, 2025.

DESCRIPTION OF THE SYSTEM SERVING THE DISTRICT

Description of the System and Regulation

The District’s facilities have been designed in conformance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, as applicable, among others, the TCEQ, Galveston County, Galveston County Drainage District No. 2, and Texas City. According to the District’s engineer, all such facilities constructed to date have been approved by all required governmental agencies. During construction, such facilities are subject to inspection by the foregoing governmental agencies having jurisdiction.

Operation of the System is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision. According to the District’s engineer, the Flood Hazard Boundary Map currently in effect published by the Federal Emergency Management Agency, which covers land located in the District, indicates that none of the land located in the District is located within the 100-year floodplain.

Water Supply Facilities

All developments within the District lie within the city limits of the City. The City provides water service to the developed lots in the District. Impact fees are paid to the City by the builder, D.R. Horton; such fees are paid at the time as the residential building permits are approved by the City. Monthly water bills are paid by the residents of the District directly to the City.

Wastewater Treatment Plant Capacity

Wastewater treatment facilities are provided to the District by Texas City’s Wallace R. Knox Wastewater Treatment Plant. The existing wastewater treatment plant has adequate capacity for the developed lots in the District. The City provides wastewater service to the developed lots in the District. Impact fees are paid to the City by the builder, D.R. Horton; such fees are paid at the time as the residential building permits are approved by the City. Monthly sewer bills are paid by the residents of the District directly to the City.

District Drainage System

Land within the District ranges from elevations of 4 feet to 21 feet above sea level. District drainage generally flows from the District’s storm sewer lines to the Galveston County Drainage District No. 2 facilities (or Texas City Rainwater Channel) and then to Moses Lake. The developers in the District have made payments (on behalf of the District) to Galveston County Drainage District No. 2 for the right to access capacity in certain Galveston County Drainage District No. 2 facilities.

According to the District’s Engineer, none of the land located in the District lies within the 100-year flood plain.

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the “Board”) which has control over and management supervision of all affairs of the District. None of the directors reside in the District; each of the directors owns a parcel of land in the District subject to a note and deed of trust. A directors’ election is held within the District in May in even-numbered years. Directors are elected to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires May</u>
Michael Arterburn Sr.	President	2026
Gretchen Hollas	Vice President	2028
Doreen Hughes	Assistant Vice President	2026
Autumn Smith	Assistant Secretary	2028
Cosme Reyes, Jr.	Secretary	2028

The District does not employ a general manager or any other full-time employees. The District has contracted for bookkeeping, tax assessing and collecting services, annual auditing of its financial statements, engineering, and legal services as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Assessments of the Southwest, Inc., who is employed under an annual contract and represents approximately 180 other utility districts.

Bookkeeper – The District's Bookkeeper is Myrtle Cruz, Inc., which acts as bookkeeper for approximately 340 other utility districts.

Auditor – The District's annual financial statements as of and for the year ended September 30, 2023, have been audited by McGrath & Co., PLLC - CPAs. See "APPENDIX A" for a copy of the District's September 30, 2023, audited financial statements.

Engineer – The consulting engineer for the District is A&S Engineering, Inc. (the "Engineer").

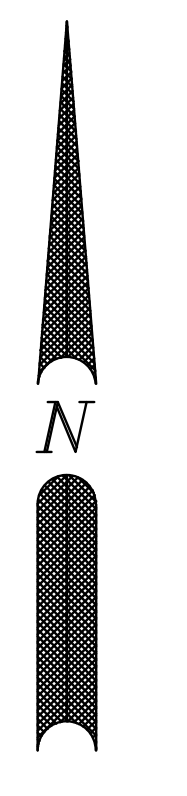
Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds if and when such bonds are delivered.

Bond Counsel – Allen Boone Humphries Robinson LLP serves as Bond Counsel to the District and as counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.


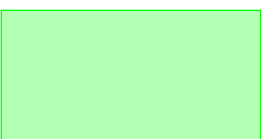
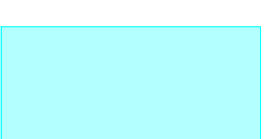

Disclosure Counsel – Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds but such advise should not be relied upon by the purchasers as a due diligence undertaking on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

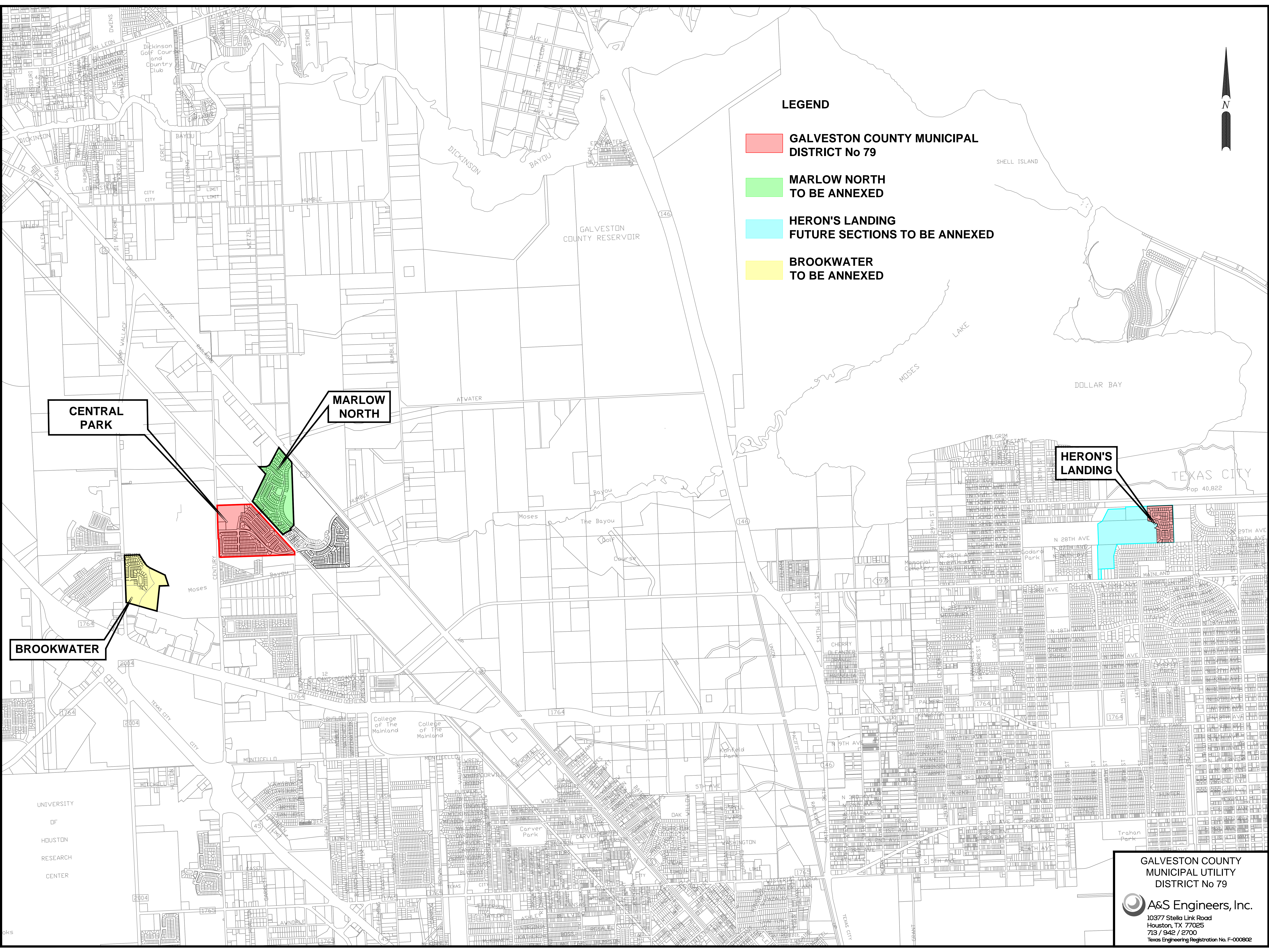
DISTRICT INVESTMENT POLICY

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



LEGEND

-  **GALVESTON COUNTY MUNICIPAL DISTRICT No 79**
-  **MARLOW NORTH TO BE ANNEXED**
-  **HERON'S LANDING FUTURE SECTIONS TO BE ANNEXED**
-  **BROOKWATER TO BE ANNEXED**



CENTRAL PARK

MARLOW NORTH

HERON'S LANDING

BROOKWATER

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT No 79

 **A&S Engineers, Inc.**
10377 Stella Link Road
Houston, TX 77025
713 / 942 / 2700
Texas Engineering Registration No. F-000802

FILE: H:\079000 - GALVESTON COUNTY MUD 79\DISTRICT MAP\CGMUD_79.DWG April 30, 2024 - 3:37 PM ted

General Fund Operating History

The 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. The information included in the table below relating to the District's operations is provided for information purposes only.

	Fiscal Year Ended September 30 (a)		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES			
Property taxes	\$76,567	\$11,710	-
Penalties and interest	\$7,731	\$12	-
Investment earnings	<u>\$207</u>	<u>\$4</u>	-
TOTAL REVENUES	\$84,505	\$11,726	-
EXPENDITURES			
Operating and administrative			
Professional fees	\$96,088	\$167,138	\$13,388
Contracted services	\$16,790	\$7,288	\$3,600
Administrative	\$9,540	\$7,831	\$8,333
Other	<u>\$861</u>	<u>\$163</u>	<u>\$796</u>
TOTAL EXPENDITURES	\$123,279	\$182,420	\$26,117
DEVELOPER ADVANCES	\$142,500	\$71,500	\$20,000
REVENUES UNDER EXPENDITURES (b)	<u>\$103,726</u>	<u>(\$99,194)</u>	<u>(\$6,117)</u>

-
- (a) Per data provided in the District's audited financial statements. See "APPENDIX A" for the District's audited financial statements for the fiscal year ended September 30, 2023. The figures for the 2022 and 2021 fiscal years are unaudited. The fiscal year 2023 audit was the first audit done by the District.
- (b) As of June 11, 2024, the District's General Fund had an unaudited cash and investment balance of approximately \$23,898. The District plans to release checks totaling \$64,429 in June 2024 which will leave a July 1, 2024 pro-forma cash and investment balance of \$28,978 in the District's General Fund. The General Partner of the Developer(s) (Jerry W. LeBlanc, Jr) has indicated his intention to continue to make cash advances to the District from time to time in order to maintain the necessary cash balances in the District's General Fund. See "RISK FACTORS – Operating Funds".

DISTRICT DEBT

5/1/2024 Estimated Taxable Value	\$30,038,954	(a)
2023 Certified Taxable Value	\$7,209,335	(b)

Direct Debt (As of May 1, 2024)		
Outstanding Bonds	\$0	
The Bonds	<u>\$3,000,000</u>	
Total Direct Debt	\$3,000,000	

Estimated Overlapping Debt	<u>\$503,730</u>
Direct and Estimated Overlapping Debt	\$3,503,730

Percentage of Direct Debt to:		
5/1/2024 Estimated Taxable Value	9.99%	
2023 Certified Taxable Value	41.61%	

Percentage of Direct and Estimated Overlapping Debt to:		
5/1/2024 Estimated Taxable Value	11.66%	
2023 Certified Taxable Value	48.60%	

2023 Tax Rate Per \$100 of Assessed Value		
Debt Service Tax	\$0.00	
Maintenance Tax	<u>\$1.00</u>	
Total 2023 Tax Rate	\$1.00	

-
- (a) Reflects data supplied by GALCAD. The Estimated Taxable Value as of 5/1/2024 was prepared by GALCAD and provided to the District. Such value is not binding on GALCAD, and any new value (subsequent to January 1, 2024) will not be included on the District's tax roll until the 2025 tax roll is prepared and certified by GALCAD during the second half of 2025. See "TAX DATA" and "TAX PROCEDURES."
- (b) Reflects the 2023 Certified Taxable Value according to data supplied by GALCAD. See "DISTRICT TAX DATA."

Estimated Overlapping Debt

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Overlapping %</u>	<u>Overlapping Debt Amount</u>
Galveston County	\$158,754,635	0.01%	\$21,925
Dickinson Independent School District	\$450,595,000	0.09%	\$418,955
City of Texas City	\$11,565,000	0.08%	\$9,576
College of the Mainland	\$150,260,000	0.04%	<u>\$53,274</u>
Total Estimated Overlapping Debt			\$503,730
The District (a)			<u>\$3,000,000</u>
Total Direct and Estimated Overlapping Debt			\$3,503,730

(a) Includes the Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2021 through 2023. Such table has also been prepared based upon information from District records as of May 31, 2024. Reference is made to such records for further and complete information.

<u>Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate (a)</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections (b)</u>	<u>Tax Year Ended September 30</u>
2023	\$7,209,335	\$1.00	\$72,093	99%	2024
2022	\$6,130,830	\$1.00	\$61,308	100%	2023
2021	\$2,696,770	\$1.00	\$26,968	100%	2022

(a) See "Tax Rate Distribution" herein.

(b) The 2023 taxes are in the process of collections; such taxes became delinquent if not paid before February 1, 2024. See "TAXING PROCEDURES."

Maintenance Tax

On November 3, 2020, the voters of the District authorized a maximum tax of \$1.50 per \$100 of assessed valuation for general maintenance and operating and \$0.25 per \$100 for road maintenance. The tax is authorized to be applied to maintenance purposes, including funds for planning, maintaining, repairing, and operating all necessary plants, roads works, facilities, improvements, appliances, and equipment of the district and for paying costs of proper services, engineering and legal fees, organization, and administration expenses.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2021 through 2023.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Debt Service	\$0.00	\$0.00	\$0.00
Maintenance/Operations	<u>\$1.00</u>	<u>\$1.00</u>	<u>\$1.00</u>
Total	\$1.00	\$1.00	\$1.00

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to

taxes that either: (1) become delinquent on or after February 1 of a year, but not later than 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.

Principal Taxpayers

The list of principal taxpayers for 2023 and the other information provided by this table were provided by GALCAD to the District's Tax Assessor/Collector based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of GALCAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
Binnacle Texas City Ninety LLC (a) (b)	Vacant	\$1,601,760	22.22%
D R Horton - Texas Ltd	Vacant	\$1,058,930	14.69%
Homeowner	Single-Family/Inventory	\$212,170	2.94%
Homeowner	Single-Family/Inventory	\$210,040	2.91%
Homeowner	Single-Family/Inventory	\$208,270	2.89%
Homeowner	Single-Family/Inventory	\$204,960	2.84%
Homeowner	Single-Family/Inventory	\$204,460	2.84%
Homeowner	Single-Family/Inventory	\$204,390	2.84%
Homeowner	Single-Family/Inventory	\$200,450	2.78%
Homeowner	Single-Family/Inventory	<u>\$200,440</u>	<u>2.78%</u>
TOTAL TOP 10 VALUE		\$4,305,870	59.73%

(a) See "THE DISTRICT'S DEVELOPERS."

(b) Anticipated to own less than twenty (20) percent of the District's 2024 certified taxable value based on the January 1, 2024 preliminary tax rolls.

Analysis of Tax Base

Based on information provided to the District by GALCAD and its Tax Assessor/Collector, the following represents the composition of property comprising the gross tax roll valuations and the deferrals for 2021 through 2023.

<u>Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Gross Valuations</u>	<u>Exemptions</u>	<u>Taxable Valuations</u>
5/1/2024						\$30,038,954 (a)
2023	\$5,335,930	\$2,554,950	\$5,000	\$7,895,880	\$686,545	\$7,209,335
2022	\$6,599,440	\$0	\$0	\$6,599,440	\$468,610	\$6,130,830
2021	\$2,696,770	\$0	\$0	\$2,696,770	\$0	\$2,696,770

(a) Reflects data supplied by GALCAD. The Estimated Taxable Value as of May 1, 2024, was prepared by GALCAD and provided to the District. Such values are not binding on GALCAD and are provided for informational purposes only. The District is authorized by law to only levy taxes against certified values. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

The following table sets forth all 2023 taxes levied by overlapping taxing jurisdictions. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Jurisdictions</u>	<u>2023 Tax Rate</u>
Galveston County	\$0.334147
Galveston County Road & Flood District	\$0.007753
Dickinson Independent School District	\$1.178000
City of Texas City	\$0.490000
Galveston County Drainage District No. 2	\$0.445530
College of the Mainland	<u>\$0.268500</u>
Overlapping Taxes	\$2.723930
The District	<u>\$1.000000</u>
Total Direct & Overlapping Taxes	\$3.723930

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, no increase or decrease in assessed valuation over the 5/1/2024 Estimated Taxable Value and the 2023 Certified Taxable Valuation. The calculations utilize a tax rate adequate to service the District’s maximum annual debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirements (2045)	\$213,281
Requires a \$0.75 debt service tax rate on the 5/1/2024 Estimated Taxable Value at 95% collections.....	\$214,028
Requires a \$3.12 debt service tax rate on the 2023 Certified Taxable Value at 95% collections	\$213,685

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 and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See “RISK FACTORS – Future Debt.” The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully in this Official Statement under the caption "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 its water and wastewater system and for the payment of certain contractual obligations if authorized by the voters in the District. See “DISTRICT TAX DATA – Maintenance Tax.”

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by GALCAD. GALCAD have the responsibility for appraising property for all taxing units within their respective county. Such appraisal values are subject to review and change by the Galveston Central Appraisal Review Board (the “Appraisal Review Board”). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

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; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, 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 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran’s residence homestead to which the disabled veterans’ exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. 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.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect

taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions : A "Freeport Exemption" applies to goods, wares, 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 that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer 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 that 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. The 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.

Tax Abatement

Either Galveston County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City, Galveston County, or the District at the option and discretion of each entity, may enter into tax abatement agreements with property owners within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement agreements, which each entity will follow in granting tax abatement agreements to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 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, including the District, 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 GALCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Boards, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. 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 chief appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

The Property Tax Code requires GALCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in GALCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by GALCAD 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 GALCAD 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 GALCAD chooses to formally 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% physically 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 Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, 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.

Additionally, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property as been damaged as a direct result of the disaster or emergency.

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, may be 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, may be 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. The Board of Directors designated the District as a Developing District for purposes of setting the 2023 tax rate; it is currently anticipated that a similar designation will be determined for purposes of setting the 2024 tax rates later this year.

The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months for commercial property, within two years for residence homesteads and land designated for agricultural use, and within six months for all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings that restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections."

The Effect of FIRREA on Tax Collections of the District

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

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

To the extent the FIRREA provisions are valid and applicable to any property in the District and to the extent that they affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes.

DISSOLUTION BY THE CITY OF TEXAS CITY

Under existing Texas law, because the District lies wholly within the corporate limits of Texas City, the District must conform to a Texas City ordinance consenting to the creation of the District. In addition, the District may be dissolved by Texas City without the District's consent. If the District is dissolved, Texas City will assume the District's assets and obligations (including the Bonds). Dissolution of the District by Texas City is a policy-making matter within the discretion of the Mayor and City Council of Texas City, and, therefore, the District makes no representation as to whether or not dissolution will occur.

THE BONDS

General

The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Resolution. Capitalized terms in such summary are used as defined in the Bond Resolution. Such summary is not a complete description of the entire Bond Resolution and is qualified in its entirety by reference to the Bond Resolution, copies of which are available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from July 1, 2024, at the per annum rates shown on the cover page hereof. The Bonds are fully registered bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable October 1, 2024, and each April 1 and October 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

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

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

Optional Redemption

The Bonds maturing on and after April 1, 2030 are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on April 1, 2029, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the redemption date. In the event the Bonds are to be redeemed in part, the maturities and principal amounts to be redeemed shall be selected by the District. In the event of redemption of fewer than all of the Bonds of a particular maturity, the Paying Agent/Registrar, on behalf of the District, will select the Bonds of such maturity to be redeemed by lot or by such other customary method as the Paying Agent/Registrar deems fair and appropriate or while the Bonds are in Book-Entry-Only form the portions to be redeemed shall be selected by DTC in accordance with its procedures.

Mandatory Redemption

The Bonds maturing April 1 in the years 2031, 2033, 2047 and 2053 (the "Term Bonds") shall be subject to annual mandatory sinking fund redemption as shown on the table(s) below.

\$150,000 Term Bonds, due April 1, 2031

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2030	\$75,000
April 1, 2031 (maturity)	\$75,000

\$150,000 Term Bonds, due April 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2032	\$75,000
April 1, 2033 (maturity)	\$75,000

\$1,550,000 Term Bonds, due April 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2034	\$75,000
April 1, 2035	\$75,000
April 1, 2036	\$100,000
April 1, 2037	\$100,000
April 1, 2038	\$100,000
April 1, 2039	\$100,000
April 1, 2040	\$100,000
April 1, 2041	\$100,000
April 1, 2042	\$100,000
April 1, 2043	\$125,000
April 1, 2044	\$125,000
April 1, 2045	\$150,000
April 1, 2046	\$150,000
April 1, 2047 (maturity)	\$150,000

\$1,050,000 Term Bonds, due April 1, 2053

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
April 1, 2048	\$150,000
April 1, 2049	\$150,000
April 1, 2050	\$175,000
April 1, 2051	\$175,000
April 1, 2052	\$200,000
April 1, 2053 (maturity)	\$200,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond 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 Bond Resolution. 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 Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of Redemption; Partial Redemption:

While the Bonds are in book-entry-only form, pursuant to the Bond Resolution, the Term Bonds will be scheduled for annual mandatory sinking fund redemption by DTC in accordance with its procedures. If the book-entry-only system is discontinued, the Paying Agent/Registrar shall select by lot the Term Bonds, if any, to be redeemed and issue a notice of redemption in the manner provided below. The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of such mandatory redemption requirements shall be reduced, at the option of and as determined by the District, by the principal amount of any Term Bonds of such maturity which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of each exercise of the right of redemption will be given at least 30 calendar days prior to the date fixed for redemption by the mailing of a notice by the Paying Agent/Registrar to each of the registered owners of the Bonds to be redeemed at the address shown on the records of the Paying Agent/Registrar on the date which is 45 calendar days prior to the redemption date. When Bonds have been called for redemption, the right of the registered owners of such Bonds to collect interest which would otherwise accrue after the date for redemption will be terminated.

The Bonds of a denomination larger than \$5,000 in principal amount may be redeemed in part (\$5,000 in principal or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal.

Source of and Security for Payment

The Bonds are secured by, and payable from, the levy of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Galveston County, the City, or any entity other than the District.

Defeasance

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

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

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

Funds

The Bond Resolution creates the District's Debt Service Fund, which is to be kept separate from all other funds of the District and used for payment of debt service on the Bonds, and any additional bonds payable from taxes which may be issued in the future by the District. Amounts on deposit in the Debt Service Fund may also be used to pay the fees and expenses of the Registrar.

Accrued interest and \$225,000 of capitalized interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Capital Projects Fund to be used for the purpose of reimbursing the Developers for certain construction and land acquisition costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolution or in accordance with TCEQ rules.

No Arbitrage

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

Paying Agent/Registrar

Pursuant to the Bond Resolution, the initial paying agent and initial registrar with respect to the Bonds is BOKF, N.A., Dallas, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Resolution to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Issuance of Additional Debt

The District's voters have authorized the issuance of a total of \$73,600,000 of unlimited tax bonds for the purposes of providing water, sewer, and drainage facilities, \$55,200,000 of road bonds and \$44,200,000 for the costs of the design, construction, purchase and acquisition of recreational facilities and additions thereto, and the District could authorize additional amounts in the future. Following the issuance of the Bonds, the District will have \$70,600,000 of unlimited tax bonds for water, sewer and drainage facilities, \$55,200,000 of unlimited tax bonds for road facilities and \$49,200,000 for recreational bonds, \$18,400,000 of unlimited tax bonds for refunding bonds issued for construction of the water, sanitary sewer, and drainage and storm sewer facilities, \$44,240,000 of unlimited tax bonds for construction of parks and recreational facilities, \$11,060,000 of unlimited tax bonds for refunding bonds issued for construction of parks and recreational facilities, and \$13,800,000 of unlimited tax bonds for refunding bonds issued for construction road facilities that will remain authorized, but unissued, after the issuance of the Bonds. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Any future new money bonds to be issued by the District must also be approved by the TCEQ. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds. Further, the principal amount of bonds sold by the District for the costs of the design, construction, purchase and acquisition of recreational facilities and additions hereto is limited to one percent of the District's certified taxable assessed valuation, unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent but not more than three percent of the value of the taxable property in the District.

The District currently has one outstanding bond anticipation note; the total principal amount of the bond anticipation note is \$1,500,000. The District is issuing the Bonds in part to pay the interest on and refund the principal of the outstanding bond anticipation note.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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 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.

Amendments to the Bond Resolution

The District may, without the consent of or notice to any Registered Owners, amend the Bond Resolution in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Resolution, provided that, without the

consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Resolution relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Resolution cannot be modified or waived without the consent of the holder of each Bond affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds (which are referred to as "securities" solely in this section of the Official Statement) is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Securities are to be paid to and credited by DTC while the Securities are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding

the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Underwriter takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the approving legal 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 payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, and that legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District; and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Legal Review

In its capacity as Bond Counsel, Allen Boone Humphries Robinson LLP has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "DESCRIPTION OF THE SYSTEM SERVING THE DISTRICT," "THE BONDS," "LEGAL MATTERS - Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and " – Legal Review," "TAX MATTERS," and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the documents and legal matters referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it investigated the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for, or an expression of opinion of any kind, with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

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

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

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened any litigation affecting the validity of the Bonds, the levy and/or collection of taxes for the payment thereof, the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals ; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

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

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

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

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

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

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

participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

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

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

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

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 designated by the District as "qualified tax-exempt obligations" and 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 District has designated the Bonds as "qualified tax-exempt obligations" and represents 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 2024 is not expected to exceed \$10,000,000 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 2024.

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

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the

Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Tax Assessor/Collector, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions, engineering, and other related reports set forth in the 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

The GMS Group, L.L.C. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. 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.

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "Description of the System Serving the District" and certain engineering matters included in "THE DISTRICT – Description, Location and Development" and "THE DISTRICT – Status of Land Development/Land Uses in the District" (excluding house count data which has been provided by the Developer) and "– Current Status of Residential Development," have been provided by A&S Engineering, Inc., and have been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

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

Auditor – The financial statements of the District as of September 30, 2023 and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC – CPA's, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's September 30, 2023 audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audited financial statements are required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Allen Boone Humphries Robinson LLP, Phoenix Tower, 3200 Southwest Freeway, Suite 2600, Houston, TX, 77027.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Galveston County Municipal Utility District No. 79 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

**GALVESTON COUNTY MUNICIPAL
UTILITY DISTRICT NO. 79**

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2023

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		14
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		15
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		28
Notes to Required Supplementary Information		29
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	32
General Fund Expenditures	TSI-2	34
Investments	TSI-3	N/A
Taxes Levied and Receivable	TSI-4	35
Long-Term Debt Service Requirements by Years	TSI-5	N/A
Change in Long-Term Bonded Debt	TSI-6	N/A
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	36
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	N/A
Board Members, Key Personnel and Consultants	TSI-8	38

McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Galveston County Municipal Utility District No. 79
Galveston County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Galveston County Municipal Utility District No. 79 (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position governmental activities and each major fund of Galveston County Municipal Utility District No. 79, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

***Board of Directors
Galveston County Municipal Utility District No. 79
Galveston County, Texas***

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.

Supplementary 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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

McGrath & Co, PC

Houston, Texas
January 31, 2024

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

***Galveston County Municipal Utility District No. 79
Management's Discussion and Analysis
September 30, 2023***

Using this Annual Report

Within this section of the financial report of Galveston County Municipal Utility District No. 79 (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2023. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

**Galveston County Municipal Utility District No. 79
 Management’s Discussion and Analysis
 September 30, 2023**

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District’s net position at September 30, 2023, was negative \$6,215,275. The District’s net position is negative because the District incurs debt to construct water, sewer and drainage facilities and road improvements which it conveys to the City of Texas City. Additionally, the District relies on advances from its developers to fund operating costs. A comparative summary of the District’s overall financial position, as of September 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Current and other assets	<u>\$ 153,217</u>	<u>\$ 42,141</u>
Current liabilities	1,605,745	132,194
Long-term liabilities	<u>4,762,747</u>	<u>4,222,874</u>
Total liabilities	<u>6,368,492</u>	<u>4,355,068</u>
Net position		
Net investment in capital assets	(1,500,000)	
Unrestricted	<u>(4,715,275)</u>	<u>(4,312,927)</u>
Total net position	<u>\$ (6,215,275)</u>	<u>\$ (4,312,927)</u>

Galveston County Municipal Utility District No. 79
Management's Discussion and Analysis
September 30, 2023

The total net position of the District decreased during the current fiscal year by \$1,902,348. A comparative summary of the District's *Statement of Activities* for the current and prior fiscal year (unaudited) is as follows:

	<u>2023</u>	<u>2022</u>
Revenues		
Property taxes, penalties and interest	\$ 69,040	\$ 11,722
Other	310	4
Total revenues	<u>69,350</u>	<u>11,726</u>
Expenses		
Operating and administrative	208,991	182,420
Debt interest and fees	11,010	
Debt issuance costs	35,500	
Total expenses	<u>255,501</u>	<u>182,420</u>
Change in net position before other item	(186,151)	(170,694)
Other item		
Transfers to other governments	<u>(1,716,197)</u>	<u>(3,959,506)</u>
Change in net position	(1,902,348)	(4,130,200)
Net position, beginning of year	<u>(4,312,927)</u>	<u>(182,727)</u>
Net position, end of year	<u>\$ (6,215,275)</u>	<u>\$ (4,312,927)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2023, were \$58,482, which consists of negative \$1,585 in the General Fund and \$60,067 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Total assets	<u>\$ 93,150</u>	<u>\$ 42,141</u>
Total liabilities	\$ 94,735	\$ 132,194
Total deferred inflows		15,258
Total fund balance	<u>(1,585)</u>	<u>(105,311)</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 93,150</u>	<u>\$ 42,141</u>

**Galveston County Municipal Utility District No. 79
 Management’s Discussion and Analysis
 September 30, 2023**

A comparative summary of the General Fund’s activities for the current and prior fiscal year (unaudited) is as follows:

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 84,505	\$ 11,726
Total expenditures	<u>(123,279)</u>	<u>(182,420)</u>
Revenues under expenditures	(38,774)	(170,694)
Other changes in fund balance	<u>142,500</u>	<u>71,500</u>
Net change in fund balance	<u>\$ 103,726</u>	<u>\$ (99,194)</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District’s primary financial resources in the General Fund are from a property tax levy and developer advances. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Developers in the District advance funds to the District as needed to pay operating costs.

Capital Projects Fund

A Capital Projects Fund was established to account for the expenditure of proceeds from the issuance of the District’s Series 2023 Bond Anticipation Note. A summary of the financial position of the Capital Projects Fund as of September 30, 2023, is as follows:

Total assets	<u>\$ 60,067</u>
Total fund balance	<u>\$ 60,067</u>

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

Total revenues	\$ 103
Total expenditures	<u>(1,367,286)</u>
Revenues under expenditures	(1,367,183)
Other changes in fund balance	<u>1,427,250</u>
Net change in fund balance	<u>\$ 60,067</u>

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated expenditures and developer advances.

***Galveston County Municipal Utility District No. 79
Management's Discussion and Analysis
September 30, 2023***

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$92,845 greater than budgeted. The *Budgetary Comparison Schedule* on page 28 of this report provides variance information per financial statement line item.

Capital Assets

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

Additionally, certain capital assets constructed by the District will be used by the City of Texas City (the "City") to provide services to District residents. The value of these assets is recorded as transfers to other governments upon completion of construction and trued-up when the developer is reimbursed. For the year ended September 30, 2023, capital assets in the amount of \$1,716,197 have been recorded as transfers to other governments in the government-wide statements.

Long-Term Debt and Related Liabilities

As of September 30, 2023, the District owes approximately \$4,762,747 to developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 5, the District has an additional commitment in the amount of \$1,139,582 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developers are reimbursed.

At September 30, 2023, the District had \$73,600,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and \$18,400,000 for the refunding of such bonds; \$44,240,000 for parks and recreational facilities and \$11,060,000 for the refunding of such bonds; and \$55,200,000 for road improvements and \$13,800,000 for the refunding of such bonds.

During the current year, the District issued a \$1,500,000 bond anticipation note (BAN) to provide short-term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 4 for additional information.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District.

Galveston County Municipal Utility District No. 79
Management’s Discussion and Analysis
September 30, 2023

A comparison of next year’s budget to current year actual amounts for the General Fund is as follows:

	<u>2023 Actual</u>	<u>2024 Budget</u>
Total revenues	\$ 84,505	\$ 60,000
Total expenditures	(123,279)	(103,543)
Revenues under expenditures	(38,774)	(43,543)
Other changes in fund balance	142,500	45,000
Net change in fund balance	103,726	1,457
Beginning fund balance	(105,311)	(1,585)
Ending fund balance	<u>\$ (1,585)</u>	<u>\$ (128)</u>

Property Taxes

The District’s property tax base increased approximately \$1,079,000 for the 2023 tax year from \$6,130,830 to \$7,209,335. This increase was primarily due to new construction in the District and increased property values. For the 2023 tax year, the District has levied a maintenance tax rate of \$1.00 per \$100 of assessed value. This is the same rate levied for the 2022 tax year.

Basic Financial Statements

Galveston County Municipal Utility District No. 79
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2023

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets					
Cash	\$ 15,484	\$ 60,067	\$ 75,551	\$ -	\$ 75,551
Prepaid items	2,666		2,666		2,666
Due from developer	75,000		75,000		75,000
Total Assets	<u>\$ 93,150</u>	<u>\$ 60,067</u>	<u>\$ 153,217</u>		<u>153,217</u>
Liabilities					
Accounts payable	\$ 94,735	\$ -	\$ 94,735		94,735
Accrued interest payable				11,010	11,010
Bond anticipation note payable				1,500,000	1,500,000
Due to developers				4,762,747	4,762,747
Total Liabilities	<u>94,735</u>		<u>94,735</u>	<u>6,273,757</u>	<u>6,368,492</u>
Fund Balances/Net Position					
Fund Balances					
Nonspendable	2,666		2,666	(2,666)	
Restricted		60,067	60,067	(60,067)	
Unassigned	(4,251)		(4,251)	4,251	
Total Fund Balances	<u>(1,585)</u>	<u>60,067</u>	<u>58,482</u>	<u>(58,482)</u>	
Total Liabilities and Fund Balances	<u>\$ 93,150</u>	<u>\$ 60,067</u>	<u>\$ 153,217</u>		
Net Position					
Net investment in capital assets				(1,500,000)	(1,500,000)
Unrestricted				(4,715,275)	(4,715,275)
Total Net Position				<u>\$ (6,215,275)</u>	<u>\$ (6,215,275)</u>

See notes to basic financial statements.

Galveston County Municipal Utility District No. 79
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2023

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues					
Property taxes	\$ 76,567	\$ -	\$ 76,567	\$ (15,258)	\$ 61,309
Penalties and interest	7,731		7,731		7,731
Investment earnings	207	103	310		310
Total Revenues	84,505	103	84,608	(15,258)	69,350
Expenditures/Expenses					
Operating and administrative					
Professional fees	96,088	85,587	181,675		181,675
Contracted services	16,790		16,790		16,790
Administrative	9,540		9,540		9,540
Other	861	125	986		986
Capital outlay		1,246,074	1,246,074	(1,246,074)	
Debt service					
Interest and fees				11,010	11,010
Debt issuance costs		35,500	35,500		35,500
Total Expenditures/Expenses	123,279	1,367,286	1,490,565	(1,235,064)	255,501
Revenues Under Expenditures /Expenses	(38,774)	(1,367,183)	(1,405,957)	1,219,806	(186,151)
Other Financing Sources/(Uses)					
Proceeds from bond anticipation note		1,500,000	1,500,000	(1,500,000)	
Developer advances	142,500		142,500	(142,500)	
Repayment of operating advances		(72,750)	(72,750)	72,750	
Other Item					
Transfers to other governments				(1,716,197)	(1,716,197)
Net Change in Fund Balances	103,726	60,067	163,793	(163,793)	
Change in Net Position				(1,902,348)	(1,902,348)
Fund Balances/Net Position					
Beginning of the year	(105,311)	-	(105,311)	(4,207,616)	(4,312,927)
End of the year	\$ (1,585)	\$ 60,067	\$ 58,482	\$ (6,273,757)	\$ (6,215,275)

See notes to basic financial statements.

(This page intentionally left blank)

Galveston County Municipal Utility District No. 79
Notes to Financial Statements
September 30, 2023

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Galveston County Municipal Utility District No. 79 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated August 21, 2020, and operates in accordance with the Texas Water Code, Chapters 49 and 54. In addition, the District operates pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution. The Board of Directors held its first meeting on August 17, 2020.

The District is responsible for providing water, sewer, drainage and road facilities within the District. As further discussed in Note 8, the District transfers the water, sewer, drainage, and road facilities to the City of Texas City for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

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

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

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. During the current year, financial resources also included developer advances. Expenditures include costs associated with the daily operations of the District.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage and road facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2023, an allowance for uncollectible accounts was not considered necessary.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond anticipation note proceeds in the Capital Projects Fund.

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

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

Unassigned - deficit fund balances the General Fund.

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

Galveston County Municipal Utility District No. 79
Notes to Financial Statements
September 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	58,482
--	----	--------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of interest payable on debt.

BANs payable	\$ (1,500,000)	
Interest payable on debt	<u>(11,010)</u>	
Change due to long-term debt		(1,511,010)

Amounts due to the District's developer for prefunded construction and developer advances are recorded as a liability in the <i>Statement of Net Position</i> .		(4,762,747)
---	--	-------------

Total net position - governmental activities	<u>\$</u>	<u>(6,215,275)</u>
--	-----------	--------------------

Galveston County Municipal Utility District No. 79
Notes to Financial Statements
September 30, 2023

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

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

Net change in fund balances - total governmental funds	\$ 163,793
 Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the <i>Statement of Activities</i> when earned. The difference is for property taxes.	 (15,258)
 Capital outlays for developer reimbursements are recorded as expenditures in the fund, but reduce the liability for due to developer in the <i>Statement of Net Position</i> .	 1,246,074
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.	
Proceeds from bond anticipation note	\$ (1,500,000)
Interest expense accrual	<u>(11,010)</u>
	(1,511,010)
 Amounts received from the District's developers for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	 (142,500)
 Amounts repaid to the District's developer for operating advances use financial resources at the fund level, but reduce the liability in the <i>Statement of Net Position</i> .	 72,750
 The District conveys its infrastructure and road improvements to the City of Texas City upon completion of construction. Since these improvements are funded by the developer, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.	 (1,716,197)
 Change in net position of governmental activities	 <u><u>\$ (1,902,348)</u></u>

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Investments

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

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

Note 4 – Bond Anticipation Note

The District uses a bond anticipation note (“BAN”) to provide short-term financing for reimbursements to its developers. Despite its short-term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long-term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

On August 4, 2023, the District issued a \$1,500,000 BAN with an interest rate of 4.70%, which is due on August 2, 2024.

Galveston County Municipal Utility District No. 79
Notes to Financial Statements
September 30, 2023

Note 4 – Bond Anticipation Note (continued)

The effect of this transaction on the District’s short-term obligations are as follows:

Beginning balance	\$ -
Amounts borrowed	1,500,000
Ending balance	<u><u>\$ 1,500,000</u></u>

Note 5 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, and park and recreational facilities and road improvements. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developers are reimbursed.

The District’s developers have also advanced funds to the District for operating expenses.

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

Due to developers, beginning of year	\$ 4,222,874
Developer reimbursements	(1,246,074)
Developer funded construction and adjustments	1,716,197
Operating advances from developers	142,500
Repayment of operating advances	(72,750)
Due to developers, end of year	<u><u>\$ 4,762,747</u></u>

In addition, the District will owe the developers approximately \$1,139,582, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District’s auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Percent Complete
Central Park, sections 3 and 4 - clearing and grubbing	\$ 296,281	14%
Central Park, section 1 - landscaping	544,601	44%
Central Park, park phase 1 - landscaping	298,700	0%
	<u><u>\$ 1,139,582</u></u>	

Galveston County Municipal Utility District No. 79
Notes to Financial Statements
September 30, 2023

Note 6 – Long-Term Debt

At September 30, 2023, the District had authorized but unissued bonds in the amount of \$73,600,000 for water, sewer and drainage facilities and \$18,400,000 for the refunding of such bonds; \$44,240,000 for parks and recreational facilities and \$11,060,000 for the refunding of such bonds; and \$55,200,000 for road improvements and \$13,800,000 for the refunding of such bonds.

Note 7 – Property Taxes

On November 3, 2020, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing general operations limited to \$1.50 per \$100 of assessed value. In addition, the voters of the District authorized the District’s Board of Directors to levy taxes annually for use in financing road maintenance limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2023 fiscal year was financed through the 2022 tax levy, pursuant to which the District levied property taxes of \$1.00 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$61,308 on the adjusted taxable value of \$6,130,830.

Note 8 – Transfers to Other Governments

Certain water, sewer, drainage and road facilities constructed by the District will be used by the City of Texas City (the “City”) to provide services to residents within the District. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed for the construction of the project. For the year ended September 30, 2023, the District reported transfers to other governments in the amount of \$1,716,197 for projects completed and transferred to the City.

Note 9 – Risk Management

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

Galveston County Municipal Utility District No. 79
Notes to Financial Statements
September 30, 2023

Note 10 – Economic Dependency

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers' willingness to make future operating advances and/or to pay property taxes will directly affect the District's ability to meet its future obligations.

Required Supplementary Information

Galveston County Municipal Utility District No. 79
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 60,000	\$ 60,000	\$ 76,567	\$ 16,567
Penalties and interest			7,731	7,731
Investment earnings			207	207
Total Revenues	60,000	60,000	84,505	24,505
Expenditures				
Operating and administrative				
Professional fees	145,000	75,000	96,088	(21,088)
Contracted services	12,000	7,500	16,790	(9,290)
Administrative	29,458	10,619	9,540	1,079
Other	15,000	1,000	861	139
Total Expenditures	201,458	94,119	123,279	(29,160)
Revenues Under Expenditures	(141,458)	(34,119)	(38,774)	(4,655)
Other Financing Sources				
Developer advances	145,000	45,000	142,500	97,500
Net Change in Fund Balance	3,542	10,881	103,726	92,845
Fund Balance				
Beginning of the year	(105,311)	(105,311)	(105,311)	
End of the year	\$ (101,769)	\$ (94,430)	\$ (1,585)	\$ 92,845

Galveston County Municipal Utility District No. 79
Notes to Required Supplementary Information
September 30, 2023

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 to reflect changes in anticipated expenditures and developer advances.

(This page intentionally left blank)

Texas Supplementary Information

Galveston County Municipal Utility District No. 79
TSI-1. Services and Rates
September 30, 2023

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

- | | | | |
|---|---|--|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks / Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Roads | <input type="checkbox"/> Security |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | |
| <input checked="" type="checkbox"/> Other (Specify): <u>Water and sewer service provided by the City of Texas City</u> | | | |

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? Yes No

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

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

Galveston County Municipal Utility District No. 79
TSI-2. General Fund Expenditures
For the Year Ended September 30, 2023

Professional fees	
Legal	\$ 83,735
Engineering	12,353
	<u>96,088</u>
Contracted services	
Bookkeeping	8,515
Delinquent tax attorney	3,643
Tax assessor collector	4,100
Appraisal district fees	532
	<u>16,790</u>
Administrative	
Directors fees	5,202
Printing and office supplies	2,941
Insurance	408
Other	989
	<u>9,540</u>
Other	<u>861</u>
Total expenditures	<u>\$ 123,279</u>

See accompanying auditors' report.

Galveston County Municipal Utility District No. 79
TSI-4. Taxes Levied and Receivable
September 30, 2023

	Maintenance Taxes
Taxes Receivable, Beginning of Year	\$ 15,258
2022 Original Tax Levy	61,308
Total to be accounted for	76,566
Tax collections:	
Current year	61,308
Prior years	15,258
Total Collections	76,566
Taxes Receivable, End of Year	\$ -

	2022	2021
Property Valuations:		
Land	\$ 6,599,440	\$ 2,696,770
Exemptions	(468,610)	
Total Property Valuations	\$ 6,130,830	\$ 2,696,770
Tax Rates per \$100 Valuation:		
Maintenance tax rates	\$ 1.00	\$ 1.00
Adjusted Tax Levy:	\$ 61,308	\$ 26,968
Percentage of Taxes Collected to Taxes Levied **	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 3, 2020

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 3, 2020

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

See accompanying auditors' report.

Galveston County Municipal Utility District No. 79

*TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Three Fiscal Years*

	Amounts		
	2023	2022**	2021**
Revenues			
Property taxes	\$ 76,567	\$ 11,710	\$ -
Penalties and interest	7,731	12	
Investment earnings	207	4	
Total Revenues	<u>84,505</u>	<u>11,726</u>	<u></u>
Expenditures			
Operating and administrative			
Professional fees	96,088	167,138	13,388
Contracted services	16,790	7,288	3,600
Administrative	9,540	7,831	8,333
Other	861	163	796
Total Expenditures	<u>123,279</u>	<u>182,420</u>	<u>26,117</u>
Revenues Under Expenditures	<u>\$ (38,774)</u>	<u>\$ (170,694)</u>	<u>\$ (26,117)</u>

*Percentage is negligible

** Unaudited

See accompanying auditors' report.

Percent of Fund Total
Revenues

2023	2022**	2021**
91%	100%	-%
9%	*	-
*	*	-
100%	100%	-
114%	1425%	-
20%	62%	-
11%	67%	-
1%	1%	-
146%	1555%	-
(46%)	(1455%)	-%

Galveston County Municipal Utility District No. 79
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2023

Complete District Mailing Address: 3200 Southwest Freeway, Suite 2600, Houston TX 77027
District Business Telephone Number: (713) 860-6400
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): May 24, 2023
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.060)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Michael H. Arterburn	05/22 - 05/26	\$ 1,042	\$ -	President
Gretchen Hollas	11/20 - 05/24	1,263		Vice President
Cosme Reyes, Jr.	11/20 - 05/24	742		Secretary
Doreen Hughes	05/23 - 05/26	592		Assistant Vice President
Autumn Smith	04/23 - 05/24	1,263		Assistant Secretary
Roxanne Marie Crawford	05/22 - 05/23	150		Former Director
Consultants				
Allen Boone Humphries Robinson LLP	2020		<u>Amounts Paid</u>	Attorney
<i>General legal fees</i>		\$ 108,892		
<i>Bond council fees</i>		15,000		
Myrtle Cruz, Inc	2020	9,754		Bookkeeper
Assessments of the Southwest, Inc.	2020	4,100		Tax Collector
Galveston Central Appraisal District	Legislature	532		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	2022	3,643		Delinquent Tax Attorney
A&S Engineers, Inc	2020	11,064		Engineer
McGrath & Co., PLLC	2023	7,000		Auditor
The GMS Group, LLC	2020	15,000		Financial Advisor

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

See accompanying auditors' report.

APPENDIX B
AERIAL PHOTOGRAPHS



