

OFFICIAL STATEMENT DATED NOVEMBER 3, 2025

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE “TAX MATTERS” HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The Bonds have been designated “qualified tax-exempt obligations” for financial institutions.

NEW ISSUE – Book-Entry-Only

**Moody’s (Underlying) Rating (“Baa3”)
S&P (BAM Insured) Rating (“AA”)
See “MUNICIPAL BOND RATINGS” and “MUNICIPAL
BOND INSURANCE” herein.**

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 32

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

\$1,405,000
UNLIMITED TAX BONDS
SERIES 2025

\$1,730,000
UNLIMITED TAX PARK BONDS
SERIES 2025

Dated: Date of Delivery (defined below)

Due: September 1, as shown below

The \$1,405,000 Unlimited Tax Bonds, Series 2025 (the “Utility Bonds”), and the \$1,730,000 Unlimited Tax Park Bonds, Series 2025 (the “Park Bonds” and together with the Utility Bonds, the “Bonds”), are obligations of Galveston County Municipal Utility District No. 32 (the “District”) and are not obligations of the State of Texas; Galveston County (the “County”), Texas; City of La Marque, Texas (the “City”); or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; the County; the City; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

The Bonds are dated November 25, 2025 and interest on the Bonds accrues from the initial date of delivery (expected on or about November 25, 2025) (the “Date of Delivery”), and is payable on March 1, 2026, and on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption, to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each Interest Payment Date (the “Record Date”) and interest will be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent/Registrar”).



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under separate municipal bond insurance policies to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See “MUNICIPAL BOND INSURANCE” and “APPENDIX B – Specimen Municipal Bond Insurance Policy”.

See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS” on page 2 for the Utility Bonds and page 3 for the Park Bonds.

The Utility Bonds constitute the tenth series of unlimited tax bonds issued by the District for the purpose of constructing water, sanitary sewer and drainage facilities to serve the District, and the Park Bonds constitute the first series of unlimited tax bonds issued by the District for the purpose of constructing park and recreational facilities to serve the District. The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. See “THE BONDS – Source of Payment.”

The Bonds are subject to redemption as described under “THE BONDS – Redemption Provisions.”

The Bonds are subject to special investment considerations described herein. Bond purchasers are encouraged to read this entire Official Statement, including particularly the section titled “INVESTMENT CONSIDERATIONS,” prior to making an investment decision. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District and accepted by the Initial Purchasers, subject, among other things, to the approval of 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 Bracewell LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 25, 2025.

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

\$1,405,000 UNLIMITED TAX BONDS, SERIES 2025

Due (September 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP 36422X ^(c)	Due (September 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP 36422X ^(c)
2026	\$25,000	7.000%	3.100%	LD1	2029	35,000	7.000%	3.050%	LG4
2027	30,000	7.000%	3.050%	LE9	2030	35,000	7.000%	3.100%	LH2
2028	35,000	7.000%	3.050%	LF6					

\$120,000 Term Bond due September 1, 2033 ^{(d)(e)} Interest Rate 4.000% ^(a) Initial Yield 3.400% ^(b) CUSIP No. 36422X LL3 ^(c)

\$140,000 Term Bond due September 1, 2036 ^{(d)(e)} Interest Rate 4.000% ^(a) Initial Yield 3.850% ^(b) CUSIP No. 36422X LP4 ^(c)

\$105,000 Term Bond due September 1, 2038 ^{(d)(e)} Interest Rate 4.000% ^(a) Initial Yield 4.000% ^(b) CUSIP No. 36422X LR0 ^(c)

\$115,000 Term Bond due September 1, 2040 ^{(d)(e)} Interest Rate 4.250% ^(a) Initial Yield 4.300% ^(b) CUSIP No. 36422X LT6 ^(c)

\$125,000 Term Bond due September 1, 2042 ^{(d)(e)} Interest Rate 4.500% ^(a) Initial Yield 4.500% ^(b) CUSIP No. 36422X LV1 ^(c)

\$135,000 Term Bond due September 1, 2044 ^{(d)(e)} Interest Rate 4.500% ^(a) Initial Yield 4.600% ^(b) CUSIP No. 36422X LX7 ^(c)

\$155,000 Term Bond due September 1, 2046 ^{(d)(e)} Interest Rate 4.500% ^(a) Initial Yield 4.700% ^(b) CUSIP No. 36422X LZ2 ^(c)

\$165,000 Term Bond due September 1, 2048 ^{(d)(e)} Interest Rate 4.500% ^(a) Initial Yield 4.740% ^(b) CUSIP No. 36422X MB4 ^(c)

\$185,000 Term Bond due September 1, 2050 ^{(d)(e)} Interest Rate 4.500% ^(a) Initial Yield 4.760% ^(b) CUSIP No. 36422X MD0 ^(c)

- (a) After requesting competitive bids for purchase of the Utility Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Utility Bonds, bearing interest as shown, at a price of 97.00% of par for the Utility Bonds, resulting in a net effective interest rate to the District of 4.650927% for the Utility Bonds.
- (b) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchasers, and may subsequently be changed.
- (c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, Inc., and are solely for the convenience of the owners of the Bonds. Neither the District nor the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (d) Bonds maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions." The yield on Bonds sold at a premium and maturing on and after September 1, 2031, is calculated to the lower of yield to redemption or maturity.
- (e) In addition to being subject to optional redemption, as described above, the Term Bonds (as hereinafter defined) are also subject to mandatory sinking fund redemption by lot or other customary random selection method on September 1 in the years and in the amounts set forth herein under the caption. See "THE BONDS – Redemption Provisions."

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

\$1,730,000 UNLIMITED TAX PARK BONDS, SERIES 2025

Due (September 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP 36422X ^(c)	Due (September 1)	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP 36422X ^(c)
2026	\$30,000	7.000%	3.100%	ME8	2032 ^(d)	\$50,000	6.000%	3.300%	ML2
2027	40,000	7.000%	3.050%	MF5	***	***	***	***	***
2028	40,000	7.000%	3.050%	MG3	2047 ^(d)	100,000	4.500%	4.720%	NB3
2029	40,000	7.000%	3.050%	MH1	2048 ^(d)	105,000	4.500%	4.740%	NC1
2030	45,000	7.000%	3.100%	MJ7	2049 ^(d)	110,000	4.500%	4.750%	ND9
2031 ^(d)	45,000	7.000%	3.200%	MK4	2050 ^(d)	120,000	4.500%	4.760%	NE7

\$105,000 Term Bond due September 1, 2034 ^{(d)(e)} Interest Rate 4.000% ^(a) Initial Yield 3.550% ^(b) CUSIP No. 36422X MN8 ^(c)

\$115,000 Term Bond due September 1, 2036 ^{(d)(e)} Interest Rate 4.000% ^(a) Initial Yield 3.850% ^(b) CUSIP No. 36422X MQ1 ^(c)

\$130,000 Term Bond due September 1, 2038 ^{(d)(e)} Interest Rate 4.000% ^(a) Initial Yield 4.000% ^(b) CUSIP No. 36422X MS7 ^(c)

\$140,000 Term Bond due September 1, 2040 ^{(d)(e)} Interest Rate 4.000% ^(a) Initial Yield 4.300% ^(b) CUSIP No. 36422X MU2 ^(c)

\$155,000 Term Bond due September 1, 2042 ^{(d)(e)} Interest Rate 4.250% ^(a) Initial Yield 4.500% ^(b) CUSIP No. 36422X MW8 ^(c)

\$175,000 Term Bond due September 1, 2044 ^{(d)(e)} Interest Rate 4.375% ^(a) Initial Yield 4.600% ^(b) CUSIP No. 36422X MY4 ^(c)

\$185,000 Term Bond due September 1, 2046 ^{(d)(e)} Interest Rate 4.500% ^(a) Initial Yield 4.700% ^(b) CUSIP No. 36422X NA5 ^(c)

- (a) After requesting competitive bids for purchase of the Park Bonds, the District has accepted the lowest net effective interest rate bid to purchase the Park Bonds, bearing interest as shown, at a price of 97.01% of par for the Park Bonds, resulting in a net effective interest rate to the District of 4.647590% for the Park Bonds.
- (b) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of the Initial Purchasers, and may subsequently be changed.
- (c) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, Inc., and are solely for the convenience of the owners of the Bonds. Neither the District nor the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (d) Bonds maturing on September 1, 2031, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions." The yield on Bonds sold at a premium and maturing on and after September 1, 2031, is calculated to the lower of yield to redemption or maturity.
- (e) In addition to being subject to optional redemption, as described above, the Term Bonds (as hereinafter defined) are also subject to mandatory sinking fund redemption by lot or other customary random selection method on September 1 in the years and in the amounts set forth herein under the caption. See "THE BONDS – Redemption Provisions."

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or 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.

Any information and expressions of opinion herein contained are subject to change 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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel upon payment of duplication costs, for further information.

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The 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 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 herein to keep the Official Statement current by amendment or sticker to reflect changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Initial Purchasers (hereinafter defined) and thereafter only as specified in "OFFICIAL STATEMENT - Updating of Official Statement" and "CONTINUING DISCLOSURE OF INFORMATION."

Neither the District, the Initial Purchasers nor the District's Municipal Advisor makes any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its book-entry-only system.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. **INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.**

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Utility Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the “Utility Bonds Initial Purchaser”) to purchase the Utility Bonds bearing the interest rates shown on page 2 of this Official Statement at a price of 97.00% of par value thereof resulting in a net effective interest rate to the District of 4.650927%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

After requesting competitive bids for the Park Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the “Park Bonds Initial Purchaser”) to purchase the Park Bonds bearing the interest rates shown on page 3 of this Official Statement at a price of 97.01% of par value thereof resulting in a net effective interest rate to the District of 4.647590%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended.

The Utility Bonds Initial Purchaser and the Park Bonds Initial Purchaser are referred to herein collectively as the “Initial Purchaser” as context requires.

Prices and Marketability

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

Subject to certain restrictions, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND RATINGS AND MUNICIPAL BOND INSURANCE

Standard and Poor’s Financial Services LLC, a business unit of S&P Global Ratings (“S&P”) has assigned a municipal bond rating of “AA” (stable outlook) to each series of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”) for each series of Bonds. An explanation of the rating may be obtained from S&P. See “MUNICIPAL BOND INSURANCE.”

MUNICIPAL BOND RATINGS

The District has made application to Moody's Investors Services ("Moody's") for an underlying rating on the Bonds and Moody's has assigned a rating of "Baa3." The District will pay the cost of the Moody's rating associated with the underlying rating of the Bonds. Any explanation of the significance of such rating may be obtained from the rating service furnishing the rating. There is no assurance that any rating given to the Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by such rating agencies if, in the judgment of such agencies, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$517.2 million, \$273.6 million and \$243.6 million, respectively.

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

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

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted

herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE”.

Additional Information Available from BAM

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

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

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

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

MUNICIPAL BOND INSURANCE RISK FACTORS

In the event the bond insurer (the “Bond Insurer”) becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the bondholder may be limited by applicable bankruptcy law or other similar laws related to insolvency.

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

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. Particularly, the reader should refer to indicated sections for more complete information on the discussed topic.

THE BONDS

The District.....	Galveston County Municipal Utility District No. 32 (the “District”), a political subdivision of the State of Texas (the “State”), created by an order of the Texas Commission on Environmental Quality (“TCEQ”), dated July 22, 2005, is located in northwestern Galveston County, Texas within the city limits of the City of La Marque, Texas (the “City”), which is approximately 35 miles southeast of the Houston Central Business District. The District is located north of F.M. 1765, southwest of Interstate Highway 45, east of F.M. 2004, and west of Delany Road. The District lies entirely within the corporate limits of the City. Waterworks and sewage treatment facilities (certain drainage facilities excepted) are conveyed to the City for ownership, operation and maintenance. At the time of its creation, the District contained 169.1 acres and since that time has annexed 98.2 acres in 2007, for a total of 267.3 acres. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended and other applicable laws of the State applicable to municipal utility districts. See “THE DISTRICT.”
The Bonds.....	The District’s \$1,405,000 Unlimited Tax Bonds, Series 2025 (the “Utility Bonds”), and the \$1,730,000 Unlimited Tax Park Bonds, Series 2025 (the “Park Bonds” and together with the Utility Bonds, collectively, the “Bonds”) are dated November 25, 2025. Interest accrues from the initial date of delivery (expected on or about November 25, 2025) (the “Delivery Date”), at the rates per annum set forth on pages 2 and 3 hereof and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or earlier redemption. The Utility Bonds mature on September 1 in the years and amounts set forth on page 2 hereof. The Park Bonds mature on September 1 in the years and amounts set forth on page 3 hereof. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS – General.”
Redemption.....	The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions.” The Bonds may be designated by the Initial Purchaser on pages 2 and 3 hereof as Term Bonds (as defined herein). The Term Bonds are additionally subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Sinking Fund Redemption.”
Qualified Tax-Exempt Obligations	The District has designated the Bonds “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Source of Payment.....	Principal and interest on the Bonds are payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Galveston County, Texas; the City of La Marque, Texas; or any other political subdivision or entity other than the District. See “THE BONDS – Source of Payment.”
Payment Record.....	The District has never defaulted in the payment of the principal of or interest on its previously issued bonds. See “SELECTED FINANCIAL INFORMATION – Outstanding Bonds.”

Authority for Issuance of Utility Bonds	At an election held within the District on November 8, 2005, voters of the District authorized the District's issuance of a total of \$36,950,000 principal amount of unlimited tax bonds for the purpose of financing water, sanitary sewer, and drainage facilities to serve the District. The Utility Bonds represent the District's tenth series of bonds to be issued from such voted authorization. The Utility Bonds are issued pursuant to (i) the above-referenced election; (ii) an order of the Texas Commission on Environmental Quality (the "TCEQ"); (iii) the resolution authorizing the issuance of the Utility Bonds (the "Utility Bond Resolution"); (iv) Article XVI, Section 59 of the Texas Constitution; and (v) the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended. See "THE BONDS – Authority for Issuance."
Authority for Issuance of Park Bonds	At an election held within the District on November 8, 2005, voters of the District authorized the District's issuance of a total of \$1,730,000 principal amount of unlimited tax bonds for the purpose of financing park and recreational facilities to serve the District. The Park Bonds represent the District's first series of bonds to be issued from such voted authorization. The Park Bonds are issued pursuant to (i) the above-referenced election; (ii) an order of the TCEQ; (iii) the resolution authorizing the issuance of the Park Bonds (the "Park Bond Resolution" and together with the Utility Bond Resolution, the "Resolution"); (iv) Article XVI, Section 59 of the Texas Constitution; and (v) the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended. See "THE BONDS – Authority for Issuance."
Outstanding Bonds	The District has previously issued nine (9) series of unlimited tax bonds for the purpose of constructing water, sanitary sewer and drainage facilities (the "System") to serve the District and one (1) series of unlimited tax refunding bonds for System purposes. Of such previously issued series of bonds, \$16,550,000 principal amount will remain outstanding as of the Delivery Date (the "Outstanding Bonds"). See "SELECTED FINANCIAL INFORMATION – Outstanding Bonds".
Use of Proceeds of Utility Bonds	A portion of the proceeds of the sale of the Utility Bonds will be used to reimburse the Developer (hereinafter defined) for a portion of the costs associated with construction of the facilities shown herein under "USE AND DISTRIBUTION OF PROCEEDS OF UTILITY BONDS." Proceeds from the Utility Bonds will also be used to pay developer interest, fund District projects, and to pay costs of issuance of the Utility Bonds. See "USE AND DISTRIBUTION OF PROCEEDS OF UTILITY BONDS."
Use of Proceeds of Park Bonds.....	A portion of the proceeds of the sale of the Park Bonds will be used to reimburse the Developer (hereinafter defined) for a portion of the costs associated with construction of the facilities shown herein under "USE AND DISTRIBUTION OF PROCEEDS OF PARK BONDS." Proceeds from the Park Bonds will also be used to pay developer interest and to pay costs of issuance of the Park Bonds. See "USE AND DISTRIBUTION OF PROCEEDS OF PARK BONDS."
Municipal Bond Rating and Insurance.....	S&P has assigned a municipal bond rating of "AA" (stable outlook) to each series of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM") for each series of Bonds. An explanation of the rating may be obtained from S&P. Moody's has assigned an underlying rating of "Baa3" to the Bonds. See "MUNICIPAL BOND RATINGS," "MUNICIPAL BOND INSURANCE," and "MUNICIPAL BOND INSURANCE RISK FACTORS."
Legal Opinion.....	Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel.
Engineer.....	IDS Engineering Group, Houston, Texas.
Disclosure Counsel.....	Bracewell, LLP, Houston, Texas.

Municipal Advisor..... RBC Capital Markets, LLC, Houston, Texas.

THE DISTRICT

Description Galveston County Municipal Utility District No. 32 (the “District”), a political subdivision of the State of Texas (the “State”), created by an order of the Texas Commission on Environmental Quality (“TCEQ”), dated July 22, 2005, is located in northwestern Galveston County, Texas within the city limits of the City of La Marque, Texas (the “City”), which is approximately 35 miles southeast of the Houston Central Business District. The District is located north of F.M. 1765, southwest of Interstate Highway 45, east of F.M. 2004, and west of Delany Road. The District lies entirely within the corporate limits of the City. Waterworks and sewage treatment facilities (certain drainage facilities excepted) are conveyed to the City for ownership, operation and maintenance. At the time of its creation, the District contained 169.1 acres and since that time has annexed 98.2 acres in 2007, for a total of 267.3 acres. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code, as amended and other applicable laws of the State applicable to municipal utility districts. See “THE DISTRICT.”

Authority..... 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 of the Texas Water Code, as amended. See “THE DISTRICT – General.”

Developer Land within the District is being developed by Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company. See “THE DISTRICT” and “THE DEVELOPER.”

Development within the District..... As of May 15, 2025, the District contained 797 completed single-family homes. The remaining land in the District is comprised of approximately 6.6 undeveloped but developable acres and approximately 78.4 acres that are undevelopable. See “THE DISTRICT – Status of Development.”

Homebuilders Recently completed homes within the District have been constructed by Lennar Homes. New homes constructed range in price from \$190,000 to \$315,000. See “THE DISTRICT – Status of Development” and “THE DISTRICT – Homebuilders.”

INVESTMENT CONSIDERATIONS

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

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intentionally left blank.]

SUMMARY OF SELECTED FINANCIAL INFORMATION

(Unaudited)

2025 Certified Assessed Valuation	\$221,262,458	(a)
Estimate of Value as of May 1, 2025	\$226,671,417	(b)

Direct Debt:

The Outstanding Bonds	\$16,550,000
The Bonds	<u>3,135,000</u>
Total	\$19,685,000

Estimated Overlapping Debt	\$12,067,451
Total Direct and Estimated Overlapping Debt	\$31,752,451

Ratio of Direct Debt to:

2025 Certified Assessed Valuation	8.90%
Estimate of Value as of May 1, 2025	8.68%

Debt Service Fund Balance (as of August 14, 2025)	\$2,036,911	(c)
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2025 Tax Rate

Maintenance & Operations	\$0.16436
Debt Service	<u>0.54000</u>
Total	\$0.70436

Average Annual Debt Service Requirements (2026 – 2050)

including the Bonds (“Average Annual Requirement”).....	\$1,173,187
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Tax Rate Required to Pay Average Annual Requirement based upon

2025 Certified Assessed Valuation at 95% collections	\$0.56
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Tax Rate Required to Pay Average Annual Requirement based upon

Estimate of Assessed Valuation (as of May 1, 2025) at 95% collections	\$0.55
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Maximum Annual Debt Service Requirements (2048) including the Bonds

(“Maximum Annual Requirement”).....	\$1,274,094
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Tax Rate Required to Pay Maximum Annual Requirement based upon

2025 Certified Assessed Valuation at 95% collections	\$0.61
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Tax Rate Required to Pay Maximum Annual Requirement based upon

Estimate of Assessed Valuation (as of May 1, 2025) at 95% collections	\$0.60
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Status of Development as of May 15, 2025:

Completed Homes	797
Homes Under Construction	0
Vacant Lots	<u>0</u>
Total	797

Estimated District Population	2,790	(d)
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(a) As certified by the Galveston Central Appraisal District (the “Appraisal District”). See “TAXING PROCEDURES.”

(b) Provided by the Appraisal District as of May 1, 2025 for informational purposes only. Such amount reflects increases in value between January 1, 2025 and May 1, 2025. Taxes are levied based on values as certified by the Appraisal District on January 1 of each year. No tax will be levied on said uncertified value until it is certified by the Appraisal District. Increases in value from January 1, 2025 until May 1, 2025 will be certified as of January 1, 2026 and presented for taxation during the third or fourth quarter of 2026. See “TAX PROCEDURES” and “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments.”

(c) Neither Texas law nor the Resolution requires that the District maintain any particular sum in the District’s debt service fund. Unaudited. The unaudited information has not been prepared by the District’s independent auditor. The unaudited information is derived from internal account balances of the District and is subject to change upon completion of the District’s annual audit.

(d) Based upon 3.5 residents per occupied single family residential connection.

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 32

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

\$1,405,000
UNLIMITED TAX BONDS
SERIES 2025

\$1,730,000
UNLIMITED TAX PARK BONDS
SERIES 2025

INTRODUCTION

The Official Statement provides certain information in connection with the issuance by the Galveston County Municipal Utility District No. 32 (the “District”) of its \$1,405,000 Unlimited Tax Bonds, Series 2025 (the “Utility Bonds”), and its \$1,730,000 Unlimited Tax Park Bonds, Series 2025 (the “Park Bonds” and together with the Utility Bonds, the “Bonds”). The Utility Bonds and the Park Bonds are separate securities offered under separate Notices of Sale but the same Official Statement. Each Notice of Sale for each series of Bonds should be reviewed and analyzed independently, including, without limitation, the type of obligation being offered, its terms for payment, the security for its payment, the treatment of interest for federal income tax purposes, and the rights of the holders.

The Utility Bonds are issued pursuant to (i) the resolution authorizing the issuance of the Utility Bonds adopted by the Board of Directors of the District (the “Board”) on the date of the sale of the Utility Bonds (the “Utility Bond Resolution”), (ii) Article XVI, Section 59 of the Texas Constitution, (iii) the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, (iv) an election held within the District on November 8, 2005, and (v) an order issued by the Texas Commission on Environmental Quality (“TCEQ”).

The Park Bonds are issued pursuant to (i) the resolution authorizing the issuance of the Park Bonds adopted by the Board on the date of the sale of the Park Bonds (the “Park Bond Resolution” and together with the Utility Bond Resolution, the “Bond Resolution” or the “Resolution”), (ii) Article XVI, Section 59 of the Texas Constitution, (iii) the general laws of the State of Texas, including particularly Chapters 49 and 54, Texas Water Code, as amended, (iv) an election held within the District on November 8, 2005, and (v) an order issued by the TCEQ.

References in this document to the Bond Resolution or the Resolution means the Utility Bond Resolution, the Park Bond Resolution or both as context requires. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Utility Bond Resolution and the Park Bond Resolution.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its development and finances and Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company (the “Developer”) and its affiliates. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027 or during the offering period from the District’s Municipal Advisor, RBC Capital Markets, LLC, Attn: Leslie Cook, 609 Main Street, Suite 3600, Houston, Texas 77002 upon payment of reasonable copying, mailing, and handling charges.

THE BONDS

General

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

The Bonds will be dated November 25, 2025, and interest on the Bonds accrues from the initial date of delivery (on or about November 25, 2025) (the “Delivery Date”) and will mature on September 1 in each of the years and in the principal amounts, and bear interest at the rates per annum, set forth on pages 2 and 3 hereof. Interest on the Bonds will be paid on March 1, 2026, and semiannually on each September 1 and March 1 thereafter (each an “Interest Payment Date”) until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in the denomination of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible

for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A (the “Paying Agent/Registrar”).

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating from S&P Global Ratings of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Bond Resolution will be given only to DTC.

Redemption Provisions

Utility Bonds

The Utility Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

Park Bonds

The Park Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2030, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

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

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

Mandatory Sinking Fund Redemption

Utility Bonds

The Utility Bonds due on September 1, 2033, 2036, 2038, 2040, 2042, 2044, 2046, 2048, and 2050 (the “Term Bonds”) are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

<u>Term Bond 2033 – \$120,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2031	\$40,000
2032	40,000
2033 (maturity)	40,000
<u>Term Bond 2036 – \$140,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2034	\$45,000
2035	45,000
2036 (maturity)	50,000
<u>Term Bond 2038 – \$105,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2037	\$50,000
2038 (maturity)	55,000
<u>Term Bond 2040 – \$115,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2039	\$55,000
2040 (maturity)	60,000
<u>Term Bond 2042 – \$125,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2041	\$60,000
2042 (maturity)	65,000
<u>Term Bond 2044 – \$135,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2043	\$65,000
2044 (maturity)	70,000
<u>Term Bond 2046 – \$155,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2045	\$75,000
2046 (maturity)	80,000

<u>Term Bond 2048 – \$165,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2047	\$80,000
2048 (maturity)	85,000
<u>Term Bond 2050 – \$185,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2049	\$90,000
2050 (maturity)	95,000

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.

By the Redemption Date, due provision shall be made with the Paying Agent for payment of the principal of the Bonds or portions thereof to be redeemed by the Redemption Date. When the Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the Redemption Date on any bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Park Bonds

The Park Bonds due on September 1, 2034, 2036, 2038, 2040, 2042, 2044, and 2046 (the “Term Bonds”) also are subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, at a redemption price of par plus accrued interest to the date of redemption:

<u>Term Bond 2034 – \$105,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2033	\$50,000
2034 (maturity)	55,000
<u>Term Bond 2036 – \$115,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2035	\$55,000
2036 (maturity)	60,000
<u>Term Bond 2038 – \$130,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2037	\$65,000
2038 (maturity)	65,000
<u>Term Bond 2040 – \$140,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2039	\$70,000
2040 (maturity)	70,000
<u>Term Bond 2042 – \$155,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2041	\$75,000
2042 (maturity)	80,000

<u>Term Bond 2044 – \$175,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2043	\$85,000
2044 (maturity)	90,000
<u>Term Bond 2046 – \$185,000</u>	
<u>Year of Redemption</u>	<u>Principal Amount</u>
2045	\$90,000
2046 (maturity)	95,000

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.

By the Redemption Date, due provision shall be made with the Paying Agent for payment of the principal of the Bonds or portions thereof to be redeemed by the Redemption Date. When the Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the Redemption Date on any bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration, Transfer and Exchange

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

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Paying Agent/Registrar), bond printing and legal fees in connection with any such replacement.

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Source of Payment

The Bonds are payable from the proceeds of an annual ad valorem tax levied without legal limitation as to rate or amount against all taxable property located within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the District's Debt Service Fund and used to pay principal of and interest on the Outstanding Bonds (as defined herein), the Bonds, and any additional bonds payable from taxes which may hereafter be issued by the District.

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

Authority for Issuance

Utility Bonds: The Utility Bonds constitute the tenth series of unlimited tax bonds issued by the District for the purpose of purchasing, constructing or otherwise acquiring water, sanitary sewer and drainage facilities (the "System") to serve the District, and the Park Bonds are the first series of unlimited tax bonds issued by the District for the purpose of purchasing, constructing or otherwise acquiring park and recreational facilities to serve the District. The bonds are authorized by the resident electors of the District and issued under the following authority:

The Utility Bonds are issued by the District pursuant to (i) the Utility Bond Resolution; (ii) Article XVI, Section 59 of the Constitution of the State of Texas; (iii) the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iv) an election held within the District on November 8, 2005; and (v) an order of the TCEQ.

Park Bonds: The Park Bonds are issued by the District pursuant to (i) the Park Bond Resolution; (ii) Article XVI, Section 59 of the Constitution of the State of Texas; (iii) the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iv) an election held within the District on November 8, 2005; and (v) an order of the TCEQ.

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

Outstanding Bonds

The District has previously issued nine (9) series of unlimited tax bonds for the purpose of constructing the System to serve the District and one (1) series of unlimited tax refunding bonds for System purposes. Of such previously issued series of bonds, \$16,550,000 principal amount will remain outstanding as of the Delivery Date (the "Outstanding Bonds").

Payment Record

The District has never defaulted on the timely payment of principal or interest on its bonded indebtedness.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater system of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A., as Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of the payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable at the principal payment office of the Paying Agent/Registrar. Interest on each Bond shall be payable

by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owners as shown on the Register on the fifteenth (15) day (whether or not a business day) of the month prior to each interest payment date (defined herein as the "Record Date"), to the address

of such Registered Owner as shown on the Register or by such other customary banking agreement as may be agreed to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

No Arbitrage

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$36,950,000 principal amount of unlimited tax bonds for System facilities and could authorize additional amounts. After the issuance of the Utility Bonds, the District will have \$16,370,000 principal amount of unlimited tax bonds remaining authorized but unissued for such purpose.

The District's voters have authorized the issuance of \$1,730,000 principal amount of unlimited tax bonds for acquiring or constructing park and recreational facilities in the District and could authorize additional amounts. After the issuance of the Park Bonds, the District will have \$0 principal amount of unlimited tax bonds remaining authorized but unissued for such purpose.

A portion of the proceeds of the Bonds will be used to reimburse the Developer for a portion of the funds advanced to date. After such reimbursement, there will be approximately \$9,000,000 in advanced funds or costs for System facilities and road improvements, which will need to be reimbursed by the District in the future. The issuance of additional bonds for System facilities is also subject to TCEQ authorization.

Additionally, the District's voters have authorized the issuance of \$24,000,000 unlimited tax bonds for refunding bonds issued, of which \$23,925,000 principal amount of unlimited tax refunding bonds remains authorized but unissued for such purpose.

Additional tax bonds may be authorized by District's voters in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the District is limited to 1% of the District's taxable assessed valuation, unless the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not more than 3% of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. After the issuance of the Park Bonds, the District will not have any remaining voted authorization for parks and recreational purposes.

Remedies in the Event of Default

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

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 of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Dissolution of a district is a policy-making matter within the discretion of the Mayor and City Council of the City and therefore, the District makes no representation that the City will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution occur.

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SOURCES AND USES OF FUNDS OF UTILITY BONDS

A portion of the proceeds of the sale of the Utility Bonds will be used to reimburse the Developer for a portion of the costs associated with construction of the facilities shown below. Proceeds from the Utility Bonds will also be used to pay developer interest and to pay costs of issuance of the Utility Bonds.

	CONSTRUCTION COSTS	District's Share
A.	Developer Contribution Items	
	1. Construction Costs	
	a. Landing at Delany Cove Detention Facilities Phase II	\$275,445
	b. Landing at Delany Cove Section 14	89,579
	c. Landing at Delany Cove Section 9	145,015
	2. Engineering Costs	
	a. Landing at Delany Cove Section 14	4,488
	b. Landing at Delany Cove Section 13	2,148
	c. Landing at Delany Cove Section 12	81
	d. Landing at Delany Cove Section 7	778
	e. Meadows at Delany Cove Section 1	13,100
	f. GC MUD 32 Lift Station and Force Main	1,237
	g. Preliminary Engineering Expenses	52,388
	Total Developer Contribution Items	\$584,259
B.	District Items	
	1. Construction Costs	
	a. Phase 1 Detention Backslope Swale Improvements	\$367,973
	b. Landing at Delany Cove Waterline Extension	\$165,600
	2. Engineering Costs	
	a. Phase 1 Detention Backslope Swale Improvements	61,721
	b. Landing at Delany Cove Waterline Extension	98,500
	Total District Items	\$693,794
	TOTAL CONSTRUCTION COSTS	\$1,278,063
	Less Surplus Funds Applied	(220,638)
	NET CONSTRUCTION COSTS	\$1,057,415
	NON-CONSTRUCTION COSTS	
A.	Legal Fees	\$40,000
B.	Fiscal Agent Fees	17,563
C.	Interest	
	1. Developer Interest	145,387
D.	Bond Discount	42,092
E.	Bond Issuance Expenses	32,569
F.	Bond Application Report Costs	65,000
G.	Attorney General Fee	1,405
H.	TCEQ Bond Issuance Fee	3,513
I.	Contingency ^(a)	58
	TOTAL NONCONSTRUCTION	\$347,586
	TOTAL BOND ISSUE REQUIREMENT	\$1,405,000

(a) Represents the difference between the estimated and actual amount of bond discount.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional utility bonds may be required.

SOURCES AND USES OF FUNDS OF PARK BONDS

A portion of the proceeds of the sale of the Park Bonds will be used to reimburse the Developer for a portion of the costs associated with construction of the facilities shown below. Proceeds from the Park Bonds will also be used to pay developer interest and to pay costs of issuance of the Park Bonds.

<u>CONSTRUCTION COSTS</u>		<u>District's Share</u>
A.	Developer Contribution Items	
	1. Design Services	
	a. Landing at Delany Cove Section 14	\$87,245
	b. Landing at Delany Cove Section 12 and 13	98,996
	c. Landing at Delany Cove Section 11	91,738
	d. Landing at Delany Cove Section 10	62,087
	e. Landing at Delany Cove Section 9	69,490
	f. Landing at Delany Cove Section 7 and 8	125,208
	g. Landing at Delany Cove Section 6	36,561
	h. Landing at Delany Cove Section 5	21,120
	i. Landing at Delany Cove Section 4	33,549
	j. Landing at Delany Cove Section 2	78,781
	k. Meadows at Delany Cove Section 1	25,596
	l. Delany Cove Section 1	14,128
	Total Developer Contribution Items	<u>\$744,499</u>
B.	District Items	
	a. Landing at Delany Cove Section 12	\$5,016
	b. Landing at Delany Cove Section 11	41,963
	c. Landing at Delany Cove Section 10	29,752
	d. Landing at Delany Cove Section 9	19,871
	e. Landing at Delany Cove Section 8	30,324
	f. Landing at Delany Cove Section 7	70,103
	g. Landing at Delany Cove Section 6	18,160
	h. Landing at Delany Cove Section 5	23,977
	i. Landing at Delany Cove Section 4	11,292
	j. Landing at Delany Cove Section 3	35,276
	k. Landing at Delany Cove Section 2	21,103
	l. Meadows at Delany Cove Section 1	103,100
	m. Delany Cove Section 2	126,225
	n. Delany Cove Section 1	60,641
	Total District Items	<u>\$596,803</u>
	TOTAL CONSTRUCTION COSTS	\$1,341,302
<u>NON-CONSTRUCTION COSTS</u>		
A.	Legal Fees	\$43,250
B.	Fiscal Agent Fees	21,625
C.	Interest	
	1. Developer Interest	176,977
D.	Bond Discount	51,762
E.	Bond Issuance Expenses	38,891
F.	Bond Application Report Costs	50,000
G.	Attorney General Fee	1,730
H.	TCEQ Bond Issuance Fee	4,325
I.	Contingency ^(a)	138
	TOTAL NONCONSTRUCTION	<u>\$388,698</u>
	TOTAL BOND ISSUE REQUIREMENT	\$1,730,000

(a) Represents the difference between the estimated and actual amount of bond discount.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional park bonds may be required.

THE DISTRICT

General

The District was created as Galveston County Municipal Utility District No. 32 by order of the TCEQ dated July 22, 2005, and by a confirmation election held within the District on November 8, 2005, and operates under Chapters 49 and 54 of the Texas Water Code, as amended, and other general laws of the State applicable to municipal utility districts.

At the time of the confirmation election, the District encompassed 169.1 acres. On November 16, 2007, the District annexed 98.2 acres, resulting in a total of 267.3 acres within the District.

Location

The District is located in northwestern Galveston County, Texas within the city limits of La Marque (the “City”), which is approximately 35 miles southeast of the Houston Central Business District. The District is located north of F.M. 1765, southwest of Interstate Highway 45, east of F.M. 2004, and west of Delany Road. The District lies entirely within the corporate limits of the City.

Authority

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. Additionally, the District is empowered to purchase, construct, operate, and maintain parks and recreational facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

The District is authorized to issue its bonds to finance its water, sanitary sewer, and drainage facilities and parks, with the approval of the TCEQ and the Attorney General of Texas, to the extent authorized by the District’s qualified voters. After the issuance of the Bonds, the District will have \$16,370,000 par amount in authorized but unissued water, sewer, and drainage unlimited tax bonds payable from ad valorem taxes unlimited as to rate or amount. The District will have no remaining authorization for park and recreational facilities unlimited tax bonds after the issuance of the Bonds. The District is also authorized to issue \$23,925,000 in unlimited tax bonds for refunding purposes. The District requires City approval for the issuance of refunding bonds. The District does not require City approval for the issuance of the Bonds.

Status of Development

The following chart describes the status of residential development within the District as of May 15, 2025.

Subdivision	Acres	Platted Lots	To Be Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
Delany Cove Sec. 1	18.84	78	0	78	0	0
Delany Cove Sec. 2	22.8	84	0	84	0	0
Meadows at Delany Cove Sec. 1	3.91	11	0	11	0	0
Landing at Delany Cove Sec. 1	6.84	32	0	32	0	0
Landing at Delany Cove Sec. 2	13.69	48	0	48	0	0
Landing at Delany Cove Sec. 3	7.7	40	0	40	0	0
Landing at Delany Cove Sec. 4	9.28	42	0	42	0	0
Landing at Delany Cove Sec. 5	9.75	46	0	46	0	0
Landing at Delany Cove Sec. 6	10.98	48	0	48	0	0
Landing at Delany Cove Sec. 7	10.7	52	0	52	0	0
Landing at Delany Cove Sec. 8	10.58	47	0	47	0	0
Landing at Delany Cove Sec. 9	9.71	39	0	39	0	0
Landing at Delany Cove Sec. 10	10.53	45	0	45	0	0
Landing at Delany Cove Sec. 11	11.02	51	0	51	0	0
Landing at Delany Cove Sec. 12	8.69	42	0	42	0	0
Landing at Delany Cove Sec. 13	10.97	56	0	56	0	0
Landing at Delany Cove Sec. 14	6.33	36	0	36	0	0
RV Resort	18.23	0	0	0	0	0
Future	6.61	0	103	0	0	0
Undevelopable	78.38	2	2	0	0	0
Total	267.3	799	105	797	0	0

Homebuilders

Recently completed homes within the District have been constructed by Lennar Homes, which is building homes in the District that range in price from the \$190,000s to the \$315,000s.

Future Development

Construction of Landing at Delany Cove is complete. 78.4 acres of the District are undevelopable. The District also contains 6.6 remaining developable acres. The District can make no representation that any future development will occur within the District. In the event that future development does occur in the District, it is anticipated that the development costs will be financed through the sale of future bond issues.

Community Facilities

Churches: No churches are located within the District; however, churches of most denominations are located within the general vicinity of the District.

Fire Protection: Fire protection is provided by the City.

Medical Facilities: The nearest major medical facility is Mainland Medical Center, a 223 bed acute care facility, located in the City of Texas City approximately five minutes from the District and which provides general and emergency care.

Recreational Facilities: The District contains a 1.7-acre recreation area which includes a playground, pavilion, skate park, volleyball court and walking trails. This amenity is for the exclusive use of Delany Cove residents, who pay an annual fee for the use of these facilities.

Schools: The District is located in the Hitchcock Independent School District. Hitchcock Independent School District provides bus transportation for District residents to the following state-accredited schools:

<u>School</u>	<u>Approximate Distance from District</u>
Hitchcock Primary School.....	2 miles
Crosby Middle School.....	3 miles
Hitchcock High School.....	3 miles

Shopping Facilities: Shopping facilities are located within close proximity to the District. Within two miles of the District are a Wal-Mart super center, a Sam's Club, and other major retail stores.

THE DEVELOPER

Role of a Developer

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

Description of the Developer

The developer of the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, doing business as Friendswood Development Company (“FDC” or the “Developer”). On May 30, 2008, FDC acquired all of the land located within the District from HLL Land Acquisitions/HLL II. FDC has developed Delany Cove, Sections 1 and 2, the Meadows at Delany Cove, Section 1 and Landing at Delany Cove Sections 1-14 as is described above under the caption “THE DISTRICT – Status of Development”. FDC’s sole general partner is U.S. Home, LLC, a Delaware limited liability company, which is wholly-owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at www.investors.lennar.com/financials/sec-filings. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (“SEC”). Reports, proxy statements and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning the Developer is included as part of the consolidated financial statements of Lennar Corporation. However, Lennar Corporation is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property in the District owned by the Developer, or to pay any other obligations of the Developer. Further, neither the Developer nor Lennar Corporation is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Developer nor Lennar Corporation has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and the Developer may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of the Developer and Lennar Corporation is subject to change at any time. Because of the foregoing, financial information concerning the Developer and Lennar Corporation will neither be updated nor provided following issuance of the Bonds, except as described herein under “CONTINUING DISCLOSURE OF INFORMATION.”

UTILITY SERVICE CONTRACT BETWEEN THE DISTRICT AND THE CITY

The District, the Developer, and the City entered into a Utility Services Contract in November of 2004, and amended in October of 2007 (“Utility Services Contract”) providing that the District will finance and construct water, sewer and drainage facilities to serve the District. Waterworks and sewage treatment facilities are conveyed to the City for ownership, operation and maintenance. Upon completion, the District remains responsible for any detention facilities required for the District, and the District receives no system revenues and the City does not contribute any of its tax revenues to the District.

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THE SYSTEM

Regulation

According to the District's Engineer, IDS Engineering Group, previously Pate Engineers, Inc. (the "Engineer"), the water distribution, wastewater collection and drainage facilities (the "System") have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City and the County. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ, as applicable.

Waterworks and sewage treatment facilities are constructed by the District. Waterworks and sewage treatment facilities are conveyed to the City for ownership, operation and maintenance, and are subject to regulation by, among others, the EPA and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water System

Water supply for District customers is provided pursuant to a Utility Services Contract with the City. The District's source of water is surface water purchased by the City from the Gulf Coast Water Authority and groundwater from wells owned and operated by the City. The City's water supply system that serves the District is capable of serving the 799 equivalent single-family connections ("ESFC's") necessary to support the feasibility of the Bonds.

Wastewater System

Pursuant to a Utility Services Contract between the City, the Developer and the District, the City has agreed to provide capacity for the ultimate wastewater discharge of the District. The City's wastewater system that serves the District is capable of serving the 799 (797 single family residential, 2 recreational) ESFC's necessary to support the feasibility of the Bonds.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, none of the developable acreage within the District is located within the 100-year flood plain. Additionally, the storm water drainage system has been designed and constructed in accordance with all then-existing regulatory standards for a development of the District's size and location. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments."

Atlas 14

The National Weather Service has completed a rainfall study known as NOAA Atlas 14. Volume 11, Version 2.0: Texas Precipitation Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries with the District may be redrawn based on the Atlas 14 study based on revised statistical rainfall amounts, which may result 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.

DISTRICT BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Authorized	Issued To Date	Amount Unissued
11/08/2005	Water, Sewer & Drainage	\$36,950,000	\$20,580,000 ^(a)	\$16,370,000
11/08/2005	Parks & Recreation	1,730,000	1,730,000 ^(a)	0
11/08/2005	Refunding	24,000,000	75,000	23,925,000

(a) Includes the Bonds.

SELECTED FINANCIAL INFORMATION

(Unaudited)

2025 Certified Assessed Valuation ^(a)	\$221,262,458
Estimate of Assessed Valuation (as of May 1, 2025) ^(b)	\$226,671,417

Direct Debt:

Outstanding Debt	\$16,550,000
The Bonds	3,135,000
Total Direct Debt	<u>\$19,685,000</u>

Ratio of Direct Debt to:

2025 Certified Assessed Valuation	8.90%
Estimate of Assessed Valuation (as of May 1, 2025) ^(b)	8.68%

(a) As certified by the Galveston Central Appraisal District. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District as of May 1, 2025 for informational purposes only. Such amount reflects increases in value between January 1, 2025 and May 1, 2025. Taxes are levied based on values as certified by the Appraisal District on January 1 of each year. No tax will be levied on said uncertified value until it is certified by the Appraisal District. Increases in value from January 1, 2025 until May 1, 2025 will be certified as of January 1, 2026 and presented for taxation during the third or fourth quarter of 2026. See "TAX PROCEDURES" and "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments."

Outstanding Bonds

Date of Issue	Series	Original Amount	Outstanding
10/13/2016	2016	\$975,000	\$755,000
07/18/2017	2017	2,000,000	1,875,000
07/12/2018	2018	2,060,000	1,795,000
05/09/2019	2019	2,390,000	2,045,000
04/09/2020	2020	2,320,000	2,145,000
07/08/2021	2021	3,050,000	2,755,000
03/29/2022 ^(a)	2022	1,690,000	1,320,000
07/07/2022	2022	1,120,000	1,055,000
06/08/2023	2023	2,900,000	2,805,000
11/25/2025 ^(b)	2025	1,405,000 ^(c)	1,405,000 ^(c)
11/25/2025 ^(b)	2025	1,730,000 ^(c)	1,730,000 ^(c)
		<u>\$21,640,000</u>	<u>\$19,685,000</u>

(a) Refunding bonds.

(b) Anticipated Date of Delivery of the Bonds.

(c) Includes the Bonds.

Cash and Investment Balances (Unaudited as of August 14, 2025)

General Fund	Cash and Temporary Investments	\$272,691
Capital Projects Fund	Cash and Temporary Investments	\$223,019
Debt Service Fund ^(a)	Cash and Temporary Investments	\$2,036,911

(a) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the debt service fund.

Estimated Overlapping Debt Statement

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

Taxing Body ^(a)	Direct Debt	As of	Percent Overlapping Direct Debt	Overlapping Direct Debt
College of the Mainland	\$160,240,000	08/31/2025	0.88%	\$1,255,716
Galveston County	174,315,041	08/31/2025	0.33%	472,409
Hitchcock ISD	64,265,336	08/31/2025	11.96%	7,706,606
La Marque, City of	27,553,292	08/31/2025	10.53%	2,632,720
Total Overlapping Debt:				\$12,067,451
The District ^(b)				\$19,685,000
Total Direct and Overlapping Debt: ^(b)				\$31,752,451
Total Direct and Overlapping Debt Percent of Assessed Valuation:				14.35%

(a) Taxing jurisdictions with outstanding debt.

(b) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes for 2024

Overlapping Entity	2024 Tax Rate per \$100 AV
The City of La Marque	\$0.398501
Galveston County Drainage District #2	0.044140
College of the Mainland	0.267100
The District	0.650000 ^(a)
Galveston County (including Road & Flood)	0.044140
Hitchcock ISD	1.066900
Total	\$2.760141

(a) The District's 2025 tax rate is \$0.70436, which consists of a \$0.54000 I&S tax rate and \$0.16436 M&O tax rate.

Classification of Assessed Valuation

The following represents the type of property comprising the 2021 – 2025 tax rolls:

	2025 Assessed Valuation	2024 Assessed Valuation	2023 Assessed Valuation	2022 Assessed Valuation	2021 Assessed Valuation
Land	\$44,793,447	\$42,859,640	\$26,352,290	\$25,660,290	\$23,982,910
Improvements	186,042,207	181,785,408	203,705,536	154,881,831	129,478,811
Personal Property	1,243,050	1,094,030	913,570	724,800	528,880
	<u>\$232,078,704</u>	<u>\$225,739,078</u>	<u>\$230,971,396</u>	<u>\$181,266,921</u>	<u>\$153,990,601</u>
Exemptions	<u>(10,816,246)</u>	<u>(11,500,423)</u>	<u>(17,463,347)</u>	<u>(8,345,529)</u>	<u>(9,294,212)</u>
Total	<u>\$221,262,458</u>	<u>\$214,238,655</u>	<u>\$213,508,049</u>	<u>\$172,921,392</u>	<u>\$144,696,389</u>

Tax Collections

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District's tax assessor/collector. Reference is made to such audits and records for further and complete information. See "Classification of Assessed Valuation" above.

Tax Year	Assessed Valuation	Tax Rate	Levy	Collections as of Tax Year End		Collections Through July 31, 2025	
				Amount	%	Amount	%
2020	\$120,372,225	\$0.75	\$902,754	\$902,754	100.00%	\$902,754	100.00%
2021	144,696,389	0.75	1,085,159	108,909	10.04%	1,082,188	99.73%
2022	172,921,392	0.75	1,296,269	1,286,035	99.21%	1,291,486	99.63%
2023	213,508,049	0.66	1,408,851	1,395,469	99.05%	1,403,942	99.65%
2024	214,238,655	0.65	1,453,497	1,427,008 ^(a)	98.18% ^(a)	1,427,008	98.18%

(a) In process of collection, as of September 30, 2025.

District Tax Rate

	2025	2024	2023	2022	2021
Debt Service Fund	\$0.54000	\$0.53000	\$0.53000	\$0.64000	\$0.64000
Maintenance & Operation	\$0.16436	\$0.12000	\$0.13000	\$0.11000	\$0.11000
Total	<u>\$0.70436</u>	<u>\$0.65000</u>	<u>\$0.66000</u>	<u>\$0.75000</u>	<u>\$0.75000</u>

Tax Rate Limitation

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance: \$1.50 per \$100 of Assessed Valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any tax bonds which may be issued in the future. An election was held within the District on November 8, 2005, which authorized the levy of a maintenance tax not to exceed \$1.50/\$100 assessed valuation. The District levied a maintenance tax of \$0.16436 per \$100 of assessed valuation for tax year 2025.

Because the District provides no water and sanitary sewer services, its sole source of operation and maintenance funds, including funds for maintenance of detention facilities, are proceeds of the maintenance tax. See "OPERATING STATEMENT."

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 following list of top ten principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2024 and 2025 certified tax rolls of the District as of January 1 of each year.

Taxpayer	Property Type	2025	2024
Upward America Central Property Owner LP	Developer	\$6,916,285	\$7,440,600
Starship Dowlen LP	Mobile Homes/Parks	5,150,000	5,746,000
FKH SFR N LP	Residential Homes	1,390,490	1,312,652
FKH SFR L NP	Residential Homes	981,567	977,456
CenterPoint Energy Houston	Electric Utility/Power Plant	898,010	818,800
Lennar Homes of Texas	Residential Homes	688,470	-
Pagaya Smartresi F1 Fund Property Owner III LLC	Individual Residence	578,731	557,842
BFRT Delany LLC	Residential Homes	537,290	467,000
RM1 SFR PROPCO B LP	Residential Homes	524,337	-
FKH SFR PROPCO K LP	Residential Homes	465,236	712,524
FKH SFR PROPCO B LP	Residential Homes	-	507,351
Homeowner	Individual Residence	-	382,900
Total		\$18,130,416	\$18,923,125
Percent of Assessed Valuation		8.19%	8.83%

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2025 Certified Assessed Valuation or the Estimate of Assessed Valuation as of May 1, 2025, as indicated, and utilize tax rates adequate to service the District's total debt service requirements on the Bonds. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments."

Average Annual Debt Service Requirements including the Bonds (2026 through 2050)	\$1,173,187
\$0.56 Tax Rate on 2025 Certified Assessed Valuation of \$221,262,458 @ 95% collections produces	\$1,177,116
\$0.55 Tax Rate on Estimate of Assessed Valuation (as of May 1, 2025) \$226,671,417 @ 95% collections produces	\$1,184,358
Maximum Annual Debt Service Requirements including the Bonds (2048)	\$1,274,094
\$0.61 Tax Rate on 2025 Certified Assessed Valuation of \$221,262,458 @ 95% collections produces	\$1,282,216
\$0.60 Tax Rate on Estimate of Assessed Valuation (as of May 1, 2025) \$226,671,417 @ 95% collections produces	\$1,292,027

Debt Service Fund

Debt Service Fund Balance as of August 14, 2025.....	\$2,036,911 ^(a)
Remaining Debt Service Requirements for calendar year ending 2026	\$1,212,433 ^(b)

(a) Neither Texas law nor the Resolution requires that the District maintain any particular sum in the Debt Service Fund.

(b) Assumes sale and delivery of the Bonds. Represents the first annual debt service payment of the Bonds in calendar year ending in 2026.

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OPERATING STATEMENT

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Municipal Advisor for inclusion herein, based upon information obtained from the District's unaudited financial statements for the fiscal year ending July 31, 2025 and audited financial statements for the fiscal year ending July 31, 2020-2024. Reference is made to such statements for further and more complete information.

	2025 ^(a)	2024 ^(b)	2023 ^(b)	2022 ^(b)	2021 ^(b)
REVENUES:					
Property Taxes	\$ 266,376	\$ 275,724	\$ 190,470	\$ 156,591	\$ 122,074
Investment Income	<u>11,060</u>	<u>7,395</u>	<u>4,395</u>	<u>248</u>	<u>76</u>
TOTAL REVENUES	<u>\$ 277,436</u>	<u>\$ 283,119</u>	<u>\$ 194,865</u>	<u>\$ 156,839</u>	<u>\$ 122,150</u>
EXPENDITURES:					
Professional Fees	\$ 129,165	\$ 80,753	\$ 106,831	\$ 120,375	\$ 90,576
Contracted Services	15,638	14,490	15,050	14,239	11,100
Repairs and Maintenance	51,965	40,065	48,298	5,220	12,173
Administrative Expenses	22,579	16,368	17,169	23,413	17,382
Other Operating Expenditures	<u>355</u>	<u>756</u>	<u>2,900</u>	<u>316</u>	<u>1,811</u>
TOTAL EXPENDITURES	<u>\$ 219,702</u>	<u>\$ 152,432</u>	<u>\$ 190,248</u>	<u>\$ 163,563</u>	<u>\$ 133,042</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 57,734</u>	<u>\$ 130,687</u>	<u>\$ 4,617</u>	<u>\$ (6,724)</u>	<u>\$ (10,892)</u>
OTHER FINANCING SOURCES (USES)					
Developer Advance					
Internal Transfer			\$ (7,500)		
NET CHANGE IN FUND BALANCE	\$ 57,734	\$ 130,687	\$ (2,883)	\$ (6,724)	\$ (10,892)
BEGINNING FUND BALANCE	<u>\$ 219,244</u>	<u>\$ 88,557</u>	<u>\$ 91,440</u>	<u>\$ 98,164</u>	<u>\$ 109,056</u>
ENDING FUND BALANCE	<u>\$ 276,978</u>	<u>\$ 219,244</u>	<u>\$ 88,557</u>	<u>\$ 91,440</u>	<u>\$ 98,164</u>

(a) Unaudited.

(b) Such summary is based upon information obtained from the audited financial statements for fiscal years ended 2021– 2024.

MANAGEMENT

Board of Directors

The current directors of the District are listed below:

Name	Title	Term Expires
William Thompson	President	May 2028
Jeff D. Braun	Vice President	May 2028
Dottie J. Hayter	Assistant Vice President	May 2026
Bredawn Riley	Secretary	May 2028
Debra M. Davison	Assistant Secretary	May 2026

Each of the Directors owns property in the District subject to a note and deed of trust in favor of the Developer. Directors have four-year terms staggered every two years. Elections are held only in even numbered years on the first Saturday in May.

Tax Assessor/Collector

The Tax Assessor/Collector for the District is Assessments of the Southwest, Inc.

Operator of Water and Sewer Facilities

The City, pursuant to the Utility Services Contract between the District and the City, operates the District's water and sewer system. See "UTILITY SERVICE CONTRACT BETWEEN THE DISTRICT AND THE CITY OF LA MARQUE."

Bookkeeper

Myrtle Cruz, Inc. acts as Bookkeeper for the District.

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which the annual audit is filed with the TCEQ. A copy of the District's audit prepared by McGrath & Co., PLLC for the fiscal year ended July 31, 2024, is included in "APPENDIX A" to this Official Statement.

Engineer

The consulting engineer for the District is IDS Engineering Group.

Bond Counsel/General Counsel

The District employs Allen Boone Humphries Robinson LLP as Bond Counsel in connection with the issuance of bonds by the District. Such firm also acts as general counsel for the District on other matters. The fees paid to Bond Counsel as bond counsel are contingent on the delivery of the Bonds.

Disclosure Counsel

The District has engaged Bracewell LLP as Disclosure Counsel in connection with the issuance of the Bonds by the District.

DEBT SERVICE SCHEDULE

The following tables sets forth the debt service requirements of the Bonds and the Outstanding Bonds.

Year End 12/31	Outstanding Debt Service	The Utility Bonds				The Park Bonds				Total
		Principal Due 9/1	Interest Due 3/1	Interest Due 9/1	Total Principal & Interest	Principal Due 9/1	Interest Due 3/1	Interest Due 9/1	Total Principal & Interest	
2026	\$1,044,996.50	\$25,000.00	\$17,363.33	\$32,556.25	\$74,919.58	\$30,000.00	\$21,745.00	\$40,771.88	\$92,516.88	\$1,212,432.96
2027	1,040,989.00	30,000.00	31,681.25	31,681.25	93,362.50	40,000.00	39,721.88	39,721.88	119,443.76	1,253,795.26
2028	1,043,408.00	35,000.00	30,631.25	30,631.25	96,262.50	40,000.00	38,321.88	38,321.88	116,643.76	1,256,314.26
2029	1,040,033.50	35,000.00	29,406.25	29,406.25	93,812.50	40,000.00	36,921.88	36,921.88	113,843.76	1,247,689.76
2030	1,041,900.50	35,000.00	28,181.25	28,181.25	91,362.50	45,000.00	35,521.88	35,521.88	116,043.76	1,249,306.76
2031	1,037,929.00	40,000.00	26,956.25	26,956.25	93,912.50	45,000.00	33,946.88	33,946.88	112,893.76	1,244,735.26
2032	1,040,134.00	40,000.00	26,156.25	26,156.25	92,312.50	50,000.00	32,371.88	32,371.88	114,743.76	1,247,190.26
2033	1,041,947.00	40,000.00	25,356.25	25,356.25	90,712.50	50,000.00	30,871.88	30,871.88	111,743.76	1,244,403.26
2034	1,043,162.74	45,000.00	24,556.25	24,556.25	94,112.50	55,000.00	29,871.88	29,871.88	114,743.76	1,252,019.00
2035	1,039,474.98	45,000.00	23,656.25	23,656.25	92,312.50	55,000.00	28,771.88	28,771.88	112,543.76	1,244,331.24
2036	1,043,447.48	50,000.00	22,756.25	22,756.25	95,512.50	60,000.00	27,671.88	27,671.88	115,343.76	1,254,303.74
2037	1,046,441.24	50,000.00	21,756.25	21,756.25	93,512.50	65,000.00	26,471.88	26,471.88	117,943.76	1,257,897.50
2038	1,043,446.24	55,000.00	20,756.25	20,756.25	96,512.50	65,000.00	25,171.88	25,171.88	115,343.76	1,255,302.50
2039	1,044,216.24	55,000.00	19,656.25	19,656.25	94,312.50	70,000.00	23,871.88	23,871.88	117,743.76	1,256,272.50
2040	1,049,053.74	60,000.00	18,487.50	18,487.50	96,975.00	70,000.00	22,471.88	22,471.88	114,943.76	1,260,972.50
2041	1,047,607.50	60,000.00	17,212.50	17,212.50	94,425.00	75,000.00	21,071.88	21,071.88	117,143.76	1,259,176.26
2042	1,050,147.50	65,000.00	15,862.50	15,862.50	96,725.00	80,000.00	19,478.13	19,478.13	118,956.26	1,265,828.76
2043	1,051,175.00	65,000.00	14,400.00	14,400.00	93,800.00	85,000.00	17,778.13	17,778.13	120,556.26	1,265,531.26
2044	1,055,500.00	70,000.00	12,937.50	12,937.50	95,875.00	90,000.00	15,918.75	15,918.75	121,837.50	1,273,212.50
2045	1,052,075.00	75,000.00	11,362.50	11,362.50	97,725.00	90,000.00	13,950.00	13,950.00	117,900.00	1,267,700.00
2046	1,054,275.00	80,000.00	9,675.00	9,675.00	99,350.00	95,000.00	11,925.00	11,925.00	118,850.00	1,272,475.00
2047	1,056,025.00	80,000.00	7,875.00	7,875.00	95,750.00	100,000.00	9,787.50	9,787.50	119,575.00	1,271,350.00
2048	1,056,868.76	85,000.00	6,075.00	6,075.00	97,150.00	105,000.00	7,537.50	7,537.50	120,075.00	1,274,093.76
2049	0.00	90,000.00	4,162.50	4,162.50	98,325.00	110,000.00	5,175.00	5,175.00	120,350.00	218,675.00
2050	0.00	95,000.00	2,137.50	2,137.50	99,275.00	120,000.00	2,700.00	2,700.00	125,400.00	224,675.00
\$24,064,253.92		\$1,405,000.00	\$469,057.08	\$484,250.00	\$2,358,307.08	\$1,730,000.00	\$579,048.21	\$598,075.09	\$2,907,123.30	\$29,329,684.30

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the District results from the current market value from commercial properties, single-family residences, rental homes and developed lots. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for residential tracts and the construction of residential dwellings on vacant lots can be significantly affected by factors such as interest rates, credit availability (see “-Credit Markets and Liquidity in the Financial Markets” below), construction costs, energy availability, energy prices and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity could tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets: Interest rates and the availability of development funding have a direct impact on the construction activity, particularly short-term interest rates at which a property developer is able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 35 miles from the central downtown business district of the City, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of the City and decline in the nation's or the City's real estate and financial markets could adversely affect development in the District and restrain the growth of or reduce the value of the District's property tax base.

Location and Access: The District is located in northwestern Galveston County, Texas within the city limits of the City of La Marque, Texas, which is approximately 35 miles southeast of the Houston Central Business District. Many of the single-family developments with which the District competes have been significantly developed and levy lower tax rates. As a result, particularly during times of increased competition, the Developer and homebuilders within the District may be at a competitive disadvantage to the developers and homebuilders in other single-family projects located closer to major urban centers or more mature developments. See “THE DISTRICT” and “STATUS OF DEVELOPMENT.”

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously owned single-family homes in more established neighborhoods closer to the cities of Houston, Sugar Land, or Rosenberg that are for sale. Such existing developments could represent additional competition for new development and homebuilding proposed to be constructed within the District.

The competitive position of the Developer in the sale of land and the sale of residences is affected by most

of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Developer Under No Obligation to the District: The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes and commercial purposes. The Developer has no current plans to sell its land within the District to other developers. However, the Developer is not obligated to implement such plan on any particular schedule or continue to implement such plan at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party may sell all or a portion of their holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPER" and "STATUS OF DEVELOPMENT."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2025 Taxable Assessed Valuation of the District is \$221,262,458 (see "TAX DATA") and the Estimate of Value as of May 1, 2025, is \$226,671,417. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds is \$1,274,094 (2048) and the average annual debt service requirement on the Outstanding Bonds and the Bonds is \$1,173,187 (2026–2050). Assuming no increase or decrease from the 2025 Taxable Assessed Valuation and no use of funds on hand, tax rates of \$0.61 and \$0.56 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase or decrease from the Estimate of Value as of May 1, 2025, and no use of funds on hand, tax rates of \$0.60 and \$0.55 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. See "DISTRICT DEBT – Debt Service Requirements" and "TAX DATA – Tax Rate Calculations."

Cybersecurity. The District and their consultants are dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of a cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Potential Impact of Natural Disaster

The District could be impacted by a natural disaster such as fires, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developers or homebuilders.

Potential Effects of Oil Price Fluctuations on the Houston Area

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 within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within six months for commercial property and two years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. 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. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first,

a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

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, or if the State of Texas does not submit, or EPA does not approve, the State Implementation Plan ("SIP") submittals required by the CAA for ozone nonattainment areas.

The HGB Area is currently designated as a “serious” nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2027. 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 District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

In 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.

Future Debt

Following the issuance of the Bonds, the District will have \$16,370,000 principal amount remaining in authorized but unissued unlimited tax bonds for System purposes, \$0 in authorized but unissued unlimited tax bonds for the purpose of purchasing or constructing parks and recreational facilities, and \$23,925,000 in authorized but unissued unlimited tax refunding bonds. The District reserves in the Resolution the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District’s tax rate and adversely affect the security for and the investment quality and value of the Bonds. A portion of the proceeds of the Bonds will be used to reimburse the Developer for a portion of the funds advanced to date. After such reimbursement, there will be approximately \$9,000,000 in advanced funds or costs for System facilities and road improvements, which will need to be reimbursed by the District in the future. The issuance of additional bonds for System facilities is also subject to authorization by the TCEQ. See “THE BONDS – Issuance of Additional Debt.”

Additional tax bonds may be authorized by District’s voters in the future. The Board is further empowered to borrow money for any lawful purpose and pledge the revenues of the waterworks and sewer system therefor and to issue bond anticipation notes and tax anticipation notes.

The Bond Resolution imposes no limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may be on a parity with the Bonds.

Marketability of the Bonds

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

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.”

Approval of the Bonds

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 security of the Bonds as an investment, nor has or will the Attorney General of Texas pass upon the adequacy or accuracy of the information contained in this Official Statement.

Changes in Tax Legislation

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

City of La Marque Finances

The District dedicates its waterworks and sewage treatment facilities to the City of La Marque for ownership, operations and maintenance. The City of La Marque recently filed a notice on EMMA regarding certain payment delinquencies. A copy of the EMMA filing is available at www.emma.msrb.org/P21950643.pdf.

2025 Legislative Session

The 89th Regular Legislative Session of the Texas Legislature convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Legislature may enact laws that materially change current laws affecting ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which could adversely affect the marketability or market value of the Bonds. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Legislative Session. No legislation affecting property taxes was passed during either special session, and no third special session has been called at this time. The District can make no representations or predictions regarding the likelihood of any additional special sessions, any actions the Texas Legislature may take or the effect of any such actions.

Bond Insurance Risk Factors

The Initial Purchaser has entered into an agreement with Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”) in connection with each series of Bonds. At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE.”

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

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “MUNICIPAL BOND INSURANCE” and “MUNICIPAL BOND RATINGS.” The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Initial Purchaser have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the

ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” and “MUNICIPAL BOND RATINGS” herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State, 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 an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with the responsibility for reviewing and equalizing the values established by the appraisal district. The Galveston Central Appraisal District (the “Appraisal District”) has the responsibility for appraising property for all taxing units within Galveston County, including the District. Such appraisal values are subject to review and change by the Galveston Central Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by the 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. Beginning with the 2026 tax year, all intangible personal property is exempt from state taxation. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty (20) percent 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. The District has not adopted a residential homestead exemption for persons sixty-five years of age or older and certain disabled persons. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of assessed valuation depending upon the disability rating of the veteran claiming the exemption if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full value of the residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised

value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1.

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

Valuation of Property for Taxation

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

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 be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized herein. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply

for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use, open space land and timberland.

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

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. 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.

Tax Abatement

Galveston County may designate all or part of the area within the District as a reinvestment zone. The City also may designate property within its boundaries or its extraterritorial jurisdiction ("ETJ") as a reinvestment zone. Thereafter, Galveston County or the City at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. The terms of all tax abatement agreements need not be the same. To date, none of the area within the District has been designated as a reinvestment zone.

Tax Payment Installments after Disaster

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, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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.

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 District is a Developing District for the 2025 tax 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 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 and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "SELECTED FINANCIAL INFORMATION – Overlapping Taxes for 2024"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

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LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for “Book-Entry-Only System”), “THE DISTRICT – General,” “UTILITY SERVICE CONTRACT BETWEEN THE DISTRICT AND THE CITY,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” “SALE AND DISTRIBUTION OF THE BONDS – Securities Laws” and “CONTINUING DISCLOSURE OF INFORMATION,” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement or conducted an investigation of the affairs of the District or the Developers for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of the information contained herein.

Allen Boone Humphries Robinson LLP also serves as counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by Bracewell LLP as Disclosure Counsel. The fees of Disclosure Counsel are contingent upon the sale 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

The District will furnish each Initial Purchaser a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the Date of Delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

No Material Adverse Change

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

MUNICIPAL ADVISOR

The District has employed the firm of RBC Capital Markets, LLC as Municipal Advisor to the District. The fees paid to the Municipal Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Municipal Advisor is employed by the District and has participated in the preparation of the Official Statement, however, the Municipal Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties. See “PREPARATION OF OFFICIAL STATEMENT – Consultants.”

PREPARATION OF OFFICIAL STATEMENT

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Municipal Advisor. Each consultant has consented to the use of the information provided by such firms.

The Engineer. The information contained in this Official Statement relating to engineering and to the description of the System has been provided by IDS Engineering Group and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Tax Assessor/Collector. The information contained in this Official Statement relating to the District’s historical assessed valuation of property has been provided by Assessments of the Southwest, Inc. in reliance upon their authority as experts in the field of tax assessing and tax collecting.

Auditor. The District’s financial statements, which are audited by McGrath & Co., PLLC as of July 31, 2024 have been included as “APPENDIX A.”

Certification as to Official Statement

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

Updating of Official Statement

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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 bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Bond Resolution that it will comply with these requirements.

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 excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel’s ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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 thereof. 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 as to whether 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, regardless of the ultimate outcome of the audit.

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 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 2025.

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

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An “applicable corporation” (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its “adjusted financial statement income” (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted financial statement income,” ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also 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, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax 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.

Prospective purchasers of the Bonds should also be aware that, 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.

Tax Accounting Treatment of Original Issue Premium

If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount

If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, 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 OID Bond equal to that portion of the amount of such original issue discount allocable to the period

that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the [inside] cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues 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 date 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 OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and 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 (ii) 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 OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID 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 OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could 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 recently enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

In the 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 (“MSRB”) through the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB through its EMMA system.

The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement included under the headings “SELECTED FINANCIAL INFORMATION,” (except for “Estimated Overlapping Debt Statement” and “Overlapping Taxes for 2024”) and “APPENDIX A” (Financial Statements of the District). The District will update and provide this information, except the “Estimated Overlapping Debt Statement” and “Overlapping Taxes for 2024”, within six months after the end of each of its fiscal years ending in or after 2025. 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 SEC Rule 15c2-12 (“Rule”). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when and if 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 July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (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” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure undertakings in accordance with SEC Rule 15c2-12, except as described below:

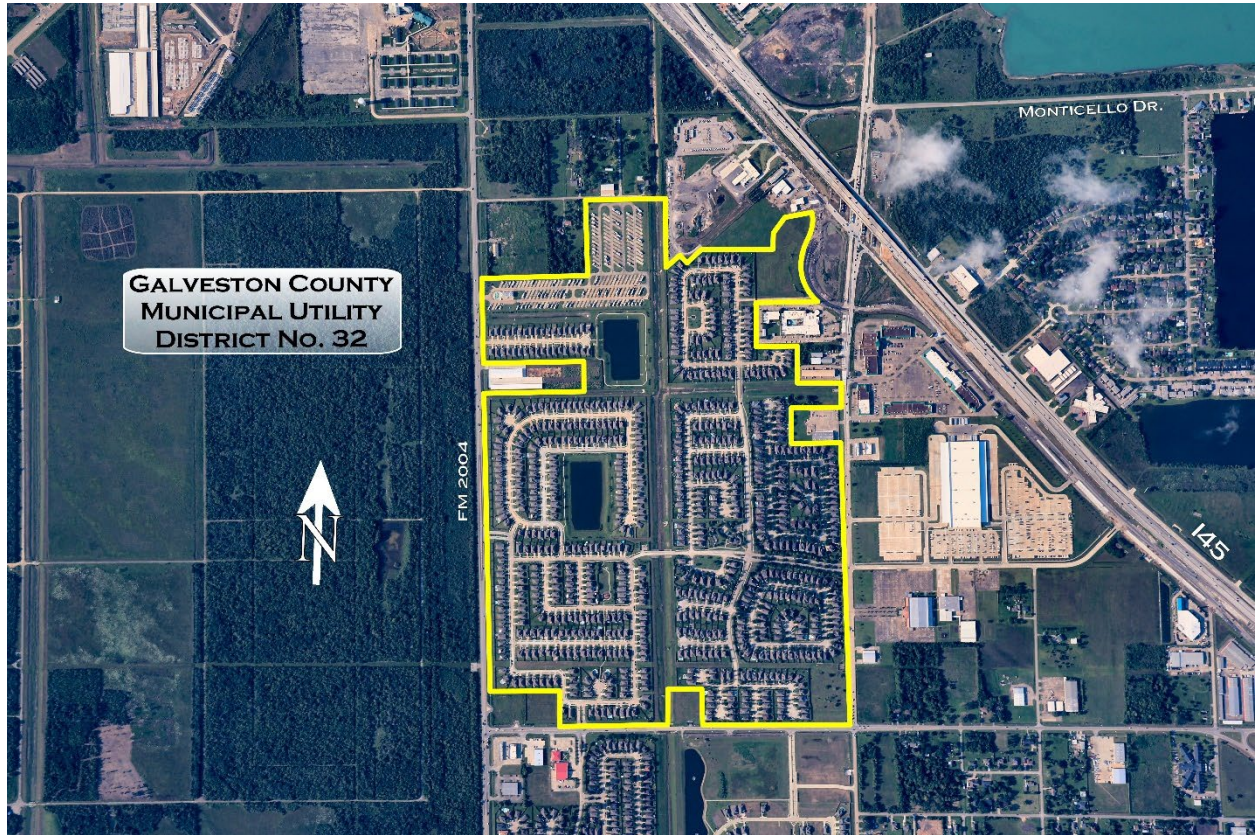
On March 29, 2022, the District issued its \$1,690,000 Unlimited Tax Refunding Bonds, Series 2022 (the “Series 2022 Refunding Bonds”) in a private placement transaction. Due to administrative oversight, an Event Notice regarding the issuance of the Series 2022 Refunding Bonds was not filed within 10 business days. The Event Notice was filed with the MSRB through the EMMA internet portal, on May 9, 2022.

MISCELLANEOUS

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

AERIAL PHOTOGRAPH

(September 2025)



PHOTOGRAPHS

(September 2025)



APPENDIX A
Audited Financial Statements

EXHIBIT B

**GALVESTON COUNTY MUNICIPAL
UTILITY DISTRICT NO. 32**

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

July 31, 2024

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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. 32
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. 32 (the "District"), as of and for the year ended July 31, 2024, 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 of the governmental activities and each major fund of Galveston County Municipal Utility District No. 32, as of July 31, 2024, 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. 32
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.

McGuire & Co, P.C.

Houston, Texas
November 14, 2024

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Management's Discussion and Analysis

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Galveston County Municipal Utility District No. 32
Management's Discussion and Analysis
July 31, 2024

Using this Annual Report

Within this section of the financial report of Galveston County Municipal Utility District No. 32 (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 July 31, 2024. 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. 32
Management's Discussion and Analysis
July 31, 2024

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 July 31, 2024, was negative \$13,405,274. The District's net position is negative because the District incurs debt to construct water, sewer, and drainage facilities which it conveys to the City of La Marque. A comparative summary of the District's overall financial position, as of July 31, 2024 and 2023, is as follows:

	2024	2023
Current and other assets	\$ 2,489,024	\$ 2,116,527
Capital assets	2,290,149	2,294,990
Total assets	<u>4,779,173</u>	<u>4,411,517</u>
Current liabilities	724,605	626,629
Long-term liabilities	17,459,842	17,911,222
Total liabilities	<u>18,184,447</u>	<u>18,537,851</u>
Net position		
Net investment in capital assets	(1,145,444)	(1,217,719)
Restricted	1,720,477	1,521,513
Unrestricted	(13,980,307)	(14,430,128)
Total net position	<u>\$ (13,405,274)</u>	<u>\$ (14,126,334)</u>

Galveston County Municipal Utility District No. 32
Management's Discussion and Analysis
July 31, 2024

The total net position of the District increased during the current fiscal year by \$721,060. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2024	2023
Revenues		
Property taxes, penalties and interest	\$ 1,419,214	\$ 1,307,269
Other	95,351	63,010
Total revenues	<u>1,514,565</u>	<u>1,370,279</u>
Expenses		
Operating and administrative	183,325	307,022
Debt interest and fees	605,339	539,006
Developer interest		446,850
Debt issuance costs		263,065
Depreciation	4,841	4,841
Total expenses	<u>793,505</u>	<u>1,560,784</u>
Change in net position before other item	721,060	(190,505)
Other item		
Transfers to other governments		(840,587)
Change in net position	721,060	(1,031,092)
Net position, beginning of year	(14,126,334)	(13,095,242)
Net position, end of year	<u>\$ (13,405,274)</u>	<u>\$ (14,126,334)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of July 31, 2024, were \$2,371,892, which consists of \$219,244 in the General Fund, \$1,939,522 in the Debt Service Fund, and \$213,126 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	<u>\$ 242,781</u>	<u>\$ 109,583</u>
Total liabilities	\$ 18,424	\$ 17,672
Total deferred inflows	5,113	3,354
Total fund balance	<u>219,244</u>	<u>88,557</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 242,781</u>	<u>\$ 109,583</u>

Galveston County Municipal Utility District No. 32
Management's Discussion and Analysis
July 31, 2024

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

	2024	2023
Total revenues	\$ 283,119	\$ 194,865
Total expenditures	(152,432)	(190,248)
Revenues over expenditures	130,687	4,617
Other changes in fund balance		(7,500)
Net change in fund balance	\$ 130,687	\$ (2,883)

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	\$ 1,971,658	\$ 1,740,152
Total liabilities	\$ 2,032	\$ 526
Total deferred inflows	30,104	24,027
Total fund balance	1,939,522	1,715,599
Total liabilities, deferred inflows and fund balance	\$ 1,971,658	\$ 1,740,152

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

	2024	2023
Total revenues	\$ 1,212,648	\$ 1,169,473
Total expenditures	(988,725)	(854,745)
Revenues over expenditures	223,923	314,728
Other changes in fund balance		129,610
Net change in fund balance	\$ 223,923	\$ 444,338

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. During the previous fiscal year, financial resources also included capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the

Galveston County Municipal Utility District No. 32
Management's Discussion and Analysis
July 31, 2024

District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of July 31, 2024 and 2023, is as follows:

	2024	2023
Total assets	\$ 213,126	\$ 202,483
Total liabilities	\$ -	\$ 318
Total fund balance	213,126	202,165
Total liabilities and fund balance	\$ 213,126	\$ 202,483

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

	2024	2023
Total revenues	\$ 10,961	\$ 8,686
Total expenditures		(2,642,986)
Revenues over/(under) expenditures	10,961	(2,634,300)
Other changes in fund balance		2,777,890
Net change in fund balance	\$ 10,961	\$ 143,590

The District did not have any significant capital asset activity in the current fiscal year. During the previous fiscal year, capital asset activity was financed with proceeds from the issuance of its Series 2022 Bond Anticipation Note and Series 2023 Unlimited Tax Bonds.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$113,112 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 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

Galveston County Municipal Utility District No. 32
Management's Discussion and Analysis
July 31, 2024

future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at July 31, 2024 and 2023, are summarized as follows:

	2024	2023
Capital assets not being depreciated		
Land and improvements	\$ 2,126,587	\$ 2,126,587
Capital assets being depreciated		
Stormwater detention facilities	193,621	193,621
Less accumulated depreciation	(30,059)	(25,218)
Depreciable capital assets, net	163,562	168,403
Capital assets, net	\$ 2,290,149	\$ 2,294,990

The District and the City of La Marque (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of July 31, 2024, the District owes approximately \$439,842 to developers for completed projects. 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. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At July 31, 2024 and 2023, the District had total bonded debt outstanding as shown below:

Series	2024	2023
2016	\$ 815,000	\$ 840,000
2017	1,905,000	1,920,000
2018	1,890,000	1,935,000
2019	2,165,000	2,225,000
2020	2,230,000	2,270,000
2021	2,905,000	2,980,000
2022	1,105,000	1,120,000
2022 Refunding	1,560,000	1,675,000
2023	2,900,000	2,900,000
	<u>\$ 17,475,000</u>	<u>\$ 17,865,000</u>

Galveston County Municipal Utility District No. 32
Management's Discussion and Analysis
July 31, 2024

At July 31, 2024, the District had \$17,775,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; \$1,730,000 for parks and recreational facilities; and \$23,925,000 for refunding purposes.

Next Year's Budget

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

	2024 Actual	2025 Budget
Total revenues	\$ 283,119	\$ 238,000
Total expenditures	(152,432)	(174,250)
Revenues over expenditures	130,687	63,750
Beginning fund balance	88,557	219,244
Ending fund balance	<u>\$ 219,244</u>	<u>\$ 282,994</u>

Property Taxes

The District's property tax base increased approximately \$731,000 for the 2024 tax year from \$213,508,049 to \$214,238,655. This increase was primarily due to increased property values. For the 2024 tax year, the District has levied a maintenance tax rate of \$0.12 per \$100 of assessed value and a debt service tax rate of \$0.53 per \$100 of assessed value, for a total combined tax rate of \$0.65 per \$100 of assessed value. Tax rates for the 2023 tax year were \$0.13 per \$100 for maintenance and operations and \$0.53 per \$100 for debt service for a combined total of \$0.66 per \$100 of assessed value.

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Basic Financial Statements

Galveston County Municipal Utility District No. 32
Statement of Net Position and Governmental Funds Balance Sheet
July 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 2,643	\$ 67,733	\$ 1,452	\$ 71,828	\$ -	\$ 71,828
Investments	234,131	1,874,715	211,674	2,320,520		2,320,520
Taxes receivable	5,113	30,104		35,217		35,217
Internal balances	894	(894)				
Prepaid bond insurance, net					61,459	61,459
Capital assets not being depreciated					2,126,587	2,126,587
Capital assets, net					163,562	163,562
Total Assets	<u>\$ 242,781</u>	<u>\$ 1,971,658</u>	<u>\$ 213,126</u>	<u>\$ 2,427,565</u>	<u>2,351,608</u>	<u>4,779,173</u>
Liabilities						
Accounts payable	\$ 18,424	\$ -	\$ -	\$ 18,424		18,424
Other payables		2,032		2,032		2,032
Accrued interest payable					249,149	249,149
Due to developer					439,842	439,842
Long-term debt						
Due within one year					455,000	455,000
Due after one year					17,020,000	17,020,000
Total Liabilities	<u>18,424</u>	<u>2,032</u>		<u>20,456</u>	<u>18,163,991</u>	<u>18,184,447</u>
Deferred Inflows of Resources						
Deferred property taxes	<u>5,113</u>	<u>30,104</u>		<u>35,217</u>	<u>(35,217)</u>	
Fund Balances/Net Position						
Fund Balances						
Restricted		1,939,522	213,126	2,152,648	(2,152,648)	
Unassigned	<u>219,244</u>			<u>219,244</u>	<u>(219,244)</u>	
Total Fund Balances	<u>219,244</u>	<u>1,939,522</u>	<u>213,126</u>	<u>2,371,892</u>	<u>(2,371,892)</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 242,781</u>	<u>\$ 1,971,658</u>	<u>\$ 213,126</u>	<u>\$ 2,427,565</u>		
Net Position						
Net investment in capital assets					(1,145,444)	(1,145,444)
Restricted for debt service					1,720,477	1,720,477
Unrestricted					(13,980,307)	(13,980,307)
Total Net Position					<u>\$ (13,405,274)</u>	<u>\$ (13,405,274)</u>

See notes to basic financial statements.

Galveston County Municipal Utility District No. 32
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended July 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	\$ 275,724	\$ 1,127,249	\$ -	\$ 1,402,973	\$ 5,654	\$ 1,408,627
Penalties and interest		8,404		8,404	2,183	10,587
Investment earnings	7,395	76,995	10,961	95,351		95,351
Total Revenues	283,119	1,212,648	10,961	1,506,728	7,837	1,514,565
Expenditures/Expenses						
Operating and administrative						
Professional fees	80,753			80,753		80,753
Contracted services	14,490	22,607		37,097		37,097
Repairs and maintenance	40,065			40,065		40,065
Administrative	16,368	3,286		19,654		19,654
Other	756	5,000		5,756		5,756
Debt service						
Principal		390,000		390,000	(390,000)	
Interest and fees		567,832		567,832	37,507	605,339
Depreciation					4,841	4,841
Total Expenditures/Expenses	152,432	988,725		1,141,157	(347,652)	793,505
Revenues Over Expenditures	130,687	223,923	10,961	365,571	(365,571)	
Change in Net Position					721,060	721,060
Fund Balance/Net Position						
Beginning of the year	88,557	1,715,599	202,165	2,006,321	(16,132,655)	(14,126,334)
End of the year	<u>\$ 219,244</u>	<u>\$ 1,939,522</u>	<u>\$ 213,126</u>	<u>\$ 2,371,892</u>	<u>\$ (15,777,166)</u>	<u>\$ (13,405,274)</u>

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Galveston County Municipal Utility District No. 32 (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 July 22, 2005, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 23, 2005 and the first bonds were sold on July 1, 2010, and delivered on July 23, 2010.

The District’s primary activities include construction of water, sewer, and drainage facilities. As further discussed in Note 10, the District transfers these facilities to the City of La Marque for operation and maintenance upon completion of construction, with the exception of detention facilities. 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 three governmental funds, which are all 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. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage 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 investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

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

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 Bond Insurance

Prepaid bond insurance reduces the District's borrowing costs and is, therefore, recorded as asset in the government-wide *Statement of Net Position* and amortized to interest expense over the life of the bonds.

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 July 31, 2024, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets are not capitalized. 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.

Depreciable capital assets consist of stormwater detention facilities, which are depreciated using the straight-line method over an estimated useful life of 40 years. Additionally, pursuant to the Utility Agreement discussed in Note 10, certain developer financed outlays for capital assets and improvements are recorded as transfers to other governments upon completion of construction.

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Inflows and Outflows of Financial Resources

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

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

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

Galveston County Municipal Utility District No. 32
Notes to Financial Statements
July 31, 2024

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds (continued)

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

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; and the value of capital assets for which the developer has 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.

Galveston County Municipal Utility District No. 32
Notes to Financial Statements
July 31, 2024

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	\$ 2,371,892
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Prepaid bond insurance is recorded as an expenditure in the funds, but is recorded as a prepaid asset and amortized in the government-wide statements.	61,459
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 2,320,208	
Less accumulated depreciation	(30,059)	
		2,290,149
Change due to capital assets		

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

Bonds payable, net	(17,475,000)	
Interest payable on bonds	(249,149)	
		(17,724,149)
Change due to long-term debt		

Amounts due to the District's developer for prefunded construction are recorded as a liability in the <i>Statement of Net Position</i> .	(439,842)
--	-----------

Property taxes receivable and related penalties and interest have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.	35,217
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Total net position - governmental activities	\$ (13,405,274)
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Galveston County Municipal Utility District No. 32
Notes to Financial Statements
July 31, 2024

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	\$	365,571
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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 and related penalties and interest.		7,837
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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.

Principal payments	\$	390,000	
Interest expense accrual		<u>(37,507)</u>	
			352,493

In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.		(4,841)
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Change in net position of governmental activities	<u>\$</u>	<u>721,060</u>
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Note 3 – Implementation of New Accounting Guidance

During the current fiscal year, the District implemented GASB Implementation Guide (“GASBIG”) 2021-1, Question 5.1, which requires the capitalization of the acquisition of a group of individual capital assets whose individual acquisition costs are less than the capitalization threshold when the cost of the acquisition of the assets in the aggregate is significant. This new guidance had no effect on the District’s financial statements during the current fiscal year.

Note 4 – 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.

Galveston County Municipal Utility District No. 32
Notes to Financial Statements
July 31, 2024

Note 4 – Deposits and Investments (continued)

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.

As of July 31, 2024, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	\$ 234,131		
	Debt Service	1,874,715		
	Capital Projects	211,674		
Total		<u>\$ 2,320,520</u>	AAAm	33 days

TexSTAR

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

TexSTAR uses amortized cost rather than fair value to report net assets to compute share price. Accordingly, investments in TexSTAR are stated at amortized cost which approximates fair value. Investments in TexSTAR may be withdrawn via wire transfer on a same day basis, as long as the transaction is executed by 4 p.m. ACH withdrawals made by 4 p.m. will settle on the next business day.

Galveston County Municipal Utility District No. 32
Notes to Financial Statements
July 31, 2024

Note 4 – Deposits and Investments (continued)

Investment Credit and Interest Rate Risk

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

Note 5 – Interfund Balances and Transactions

Amounts due to/from other funds at July 31, 2024, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General	Debt Service	\$ 894	Maintenance tax collections not remitted as of year end

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

Note 6 – Capital Assets

A summary of changes in capital assets, for the year ended July 31, 2024, is as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Ending Balances</u>
Capital assets not being depreciated			
Land and improvements	<u>\$ 2,126,587</u>	<u>\$ -</u>	<u>\$ 2,126,587</u>
Capital assets being depreciated			
Stormwater detention facilities	193,621		193,621
Less accumulated depreciation	<u>(25,218)</u>	<u>(4,841)</u>	<u>(30,059)</u>
Subtotal depreciable capital assets, net	<u>168,403</u>	<u>(4,841)</u>	<u>163,562</u>
Capital assets, net	<u>\$ 2,294,990</u>	<u>\$ (4,841)</u>	<u>\$ 2,290,149</u>

Depreciation expense for the current fiscal year was \$4,841.

Galveston County Municipal Utility District No. 32
Notes to Financial Statements
July 31, 2024

Note 7 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, and drainage facilities. 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 developer is reimbursed.

The amount due to developer at July 31, 2024 is approximately \$439,842. There was no change in this liability from the prior year.

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u><u>\$ 17,475,000</u></u>
Due within one year	<u><u>\$ 455,000</u></u>

Galveston County Municipal Utility District No. 32
Notes to Financial Statements
July 31, 2024

Note 8 – Long-Term Debt (continued)

The District's bonds payable at July 31, 2024, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2016	\$ 815,000	\$ 975,000	2.00% - 3.50%	September 1, 2017 - 2041	September 1, March 1	September 1, 2025
2017	1,905,000	2,000,000	3.00% - 3.80%	September 1, 2019 - 2042	September 1, March 1	September 1, 2026
2018	1,890,000	2,060,000	2.50% - 4.00%	September 1, 2020 - 2043	September 1, March 1	September 1, 2023
2019	2,165,000	2,390,000	2.00% - 3.25%	September 1, 2020 - 2044	September 1, March 1	September 1, 2025
2020	2,230,000	2,320,000	2.50% - 4.00%	September 1, 2021 - 2045	September 1, March 1	September 1, 2025
2021	2,905,000	3,050,000	2.00% - 5.00%	September 1, 2022 - 2046	September 1, March 1	September 1, 2026
2022	1,105,000	1,120,000	3.75% - 6.75%	September 1, 2023 - 2047	September 1, March 1	September 1, 2028
2022 Refunding	1,560,000	1,690,000	2.57%	September 1, 2022 - 2034	September 1, March 1	September 1, 2028
2023	2,900,000	2,900,000	4.00% - 7.00%	September 1, 2024 - 2048	September 1, March 1	September 1, 2028
	<u>\$ 17,475,000</u>					

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

At July 31, 2024, the District had authorized but unissued bonds in the amount of \$17,775,000 for water, sewer and drainage facilities; \$1,730,000 for park and recreational facilities; and \$23,925,000 for refunding purposes.

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

Bonds payable, beginning of year	\$ 17,865,000
Bonds retired	(390,000)
Bonds payable, end of year	<u>\$ 17,475,000</u>

Galveston County Municipal Utility District No. 32
Notes to Financial Statements
July 31, 2024

Note 8 – Long-Term Debt (continued)

As of July 31, 2024, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2025	\$ 455,000	\$ 581,520	\$ 1,036,520
2026	470,000	563,973	1,033,973
2027	490,000	545,495	1,035,495
2028	505,000	527,199	1,032,199
2029	525,000	509,220	1,034,220
2030	540,000	490,967	1,030,967
2031	560,000	472,416	1,032,416
2032	575,000	454,031	1,029,031
2033	595,000	436,041	1,031,041
2034	615,000	417,553	1,032,553
2035	635,000	398,818	1,033,818
2036	650,000	378,961	1,028,961
2037	675,000	357,446	1,032,446
2038	700,000	334,945	1,034,945
2039	720,000	311,332	1,031,332
2040	745,000	286,635	1,031,635
2041	775,000	260,831	1,035,831
2042	800,000	233,878	1,033,878
2043	830,000	205,661	1,035,661
2044	860,000	175,838	1,035,838
2045	895,000	146,288	1,041,288
2046	920,000	118,175	1,038,175
2047	950,000	92,649	1,042,649
2048	975,000	61,447	1,036,447
2049	1,015,000	20,934	1,035,934
	<u>\$ 17,475,000</u>	<u>\$ 8,382,253</u>	<u>\$ 25,857,253</u>

Note 9 – Property Taxes

On November 8, 2005, 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. 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.

Galveston County Municipal Utility District No. 32
Notes to Financial Statements
July 31, 2024

Note 9 – Property Taxes (continued)

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 2024 fiscal year was financed through the 2023 tax levy, pursuant to which the District levied property taxes of \$0.66 per \$100 of assessed value, of which \$0.13 was allocated to maintenance and operations and \$0.53 was allocated to debt service. The resulting tax levy was \$1,409,153 on the adjusted taxable value of \$213,508,049.

Property taxes receivable, at July 31, 2024, consisted of the following:

Current year taxes receivable	\$ 18,491
Prior years taxes receivable	<u>10,032</u>
	28,523
Penalty and interest receivable	<u>6,694</u>
Property taxes receivable	<u><u>\$ 35,217</u></u>

Note 10 – Utility Agreement with the City of La Marque

In August 2005, as amended in October 2007, the District approved a Utility Services Contract (the "Contract") with the City of La Marque (the "City"), originally entered into between the City and the District's developer in 2004. In exchange for the City's provision of water and sewer service to customers within the boundaries of the District, the District will construct water distribution, wastewater collection and drainage facilities within the District and, as construction is completed, will convey these facilities (excluding stormwater detention facilities) to the City. The term of the Contract is for 25 years, with automatic annual renewal thereafter, unless terminated.

Note 11 – Risk Management

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

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Required Supplementary Information

Galveston County Municipal Utility District No. 32
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended July 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 189,825	\$ 275,724	\$ 85,899
Investment earnings	1,000	7,395	6,395
Total Revenues	<u>190,825</u>	<u>283,119</u>	<u>92,294</u>
Expenditures			
Operating and administrative			
Professional fees	94,000	80,753	13,247
Contracted services	14,400	14,490	(90)
Repairs and maintenance	37,500	40,065	(2,565)
Administrative	22,350	16,368	5,982
Other	5,000	756	4,244
Total Expenditures	<u>173,250</u>	<u>152,432</u>	<u>20,818</u>
Revenues Over Expenditures	17,575	130,687	113,112
Fund Balance			
Beginning of the year	<u>88,557</u>	<u>88,557</u>	
End of the year	<u><u>\$ 106,132</u></u>	<u><u>\$ 219,244</u></u>	<u><u>\$ 113,112</u></u>

Galveston County Municipal Utility District No. 32
Notes to Required Supplementary Information
July 31, 2024

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Galveston County Municipal Utility District No. 32
TSI-1. Services and Rates
July 31, 2024

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

- | | | | |
|---|---|--|--|
| ☐ Retail Water | ☐ Wholesale Water | ☐ Solid Waste/Garbage | ☒ Drainage |
| ☐ Retail Wastewater | ☐ Wholesale Wastewater | ☐ Flood Control | ☐ Irrigation |
| ☐ Parks / Recreation | ☐ Fire Protection | ☐ Roads | ☐ Security |
| ☐ Participates in joint venture, regional system and/or wastewater service | | | |
| ☒ Other (Specify): <u>Water and sewer service provided by the City of La Marque</u> | | | |

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

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

b. Water and Wastewater Retail Connections:

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

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-1. Services and Rates
July 31, 2024

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

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

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, Date of the most recent commission Order: _____

5. Location of District:

Is the District located entirely within one county? Yes ☒ No ☐

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

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

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

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: _____

Are Board members appointed by an office outside the district? Yes ☐ No ☒

If Yes, by whom? _____

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-2. General Fund Expenditures
For the Year Ended July 31, 2024

Professional fees	
Legal	\$ 48,722
Audit	14,000
Engineering	18,031
	<u>80,753</u>
Contracted services	
Bookkeeping	<u>14,490</u>
Repairs and maintenance	<u>40,065</u>
Administrative	
Directors fees	5,967
Printing and office supplies	1,549
Insurance	3,157
Other	5,695
	<u>16,368</u>
Other	<u>756</u>
Total expenditures	<u><u>\$ 152,432</u></u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-3. Investments
July 31, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>
General			
TexSTAR	Variable	N/A	\$ 234,131
Debt Service			
TexSTAR	Variable	N/A	1,874,715
Capital Projects			
TexSTAR	Variable	N/A	<u>211,674</u>
Total - All Funds			<u><u>\$ 2,320,520</u></u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-4. Taxes Levied and Receivable
July 31, 2024

	Maintenance Taxes	Debt Service Taxes	Totals	
Taxes Receivable, Beginning of Year	\$ 3,354	\$ 19,515	\$ 22,869	
Adjustments	(78)	(448)	(526)	
Adjusted Receivable	3,276	19,067	22,343	
2023 Original Tax Levy	230,509	939,769	1,170,278	
Adjustments	47,052	191,823	238,875	
Adjusted Tax Levy	277,561	1,131,592	1,409,153	
Total to be accounted for	280,837	1,150,659	1,431,496	
Tax collections:				
Current year	273,918	1,116,744	1,390,662	
Prior years	1,806	10,505	12,311	
Total Collections	275,724	1,127,249	1,402,973	
Taxes Receivable, End of Year	\$ 5,113	\$ 23,410	\$ 28,523	
Taxes Receivable, By Year				
2023	\$ 3,643	\$ 14,848	\$ 18,491	
2022	1,035	6,019	7,054	
2021	435	2,543	2,978	
Taxes Receivable, End of Year	\$ 5,113	\$ 23,410	\$ 28,523	
	2023	2022	2021	2020
Property Valuations:				
Land	\$ 26,352,290	\$ 25,660,290	\$ 23,982,910	\$ 21,324,230
Improvements	203,705,535	154,831,661	129,478,811	104,866,069
Personal Property	913,570	724,800	528,880	492,570
Exemptions	(17,463,346)	(8,362,529)	(9,301,790)	(6,315,644)
Total Property Valuations	\$ 213,508,049	\$ 172,854,222	\$ 144,688,811	\$ 120,367,225
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.13	\$ 0.11	\$ 0.11	\$ 0.10
Debt service tax rates	0.53	0.64	0.64	0.65
Total Tax Rates per \$100 Valuation	\$ 0.66	\$ 0.75	\$ 0.75	\$ 0.75
Adjusted Tax Levy:	\$ 1,409,153	\$ 1,296,407	\$ 1,085,166	\$ 902,754
Percentage of Taxes Collected to Taxes Levied **	98.69%	99.46%	99.73%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.50 on November 8, 2005

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

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 30,000	\$ 26,129	\$ 56,129
2026	30,000	25,379	55,379
2027	30,000	24,576	54,576
2028	35,000	23,656	58,656
2029	35,000	22,641	57,641
2030	35,000	21,600	56,600
2031	40,000	20,456	60,456
2032	40,000	19,226	59,226
2033	45,000	17,847	62,847
2034	45,000	16,328	61,328
2035	45,000	14,809	59,809
2036	50,000	13,206	63,206
2037	50,000	11,519	61,519
2038	55,000	9,713	64,713
2039	60,000	7,700	67,700
2040	60,000	5,600	65,600
2041	65,000	3,413	68,413
2042	65,000	1,138	66,138
	<u>\$ 815,000</u>	<u>\$ 284,936</u>	<u>\$ 1,099,936</u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 15,000	\$ 70,608	\$ 85,608
2026	15,000	70,158	85,158
2027	15,000	69,708	84,708
2028	10,000	69,333	79,333
2029	10,000	69,025	79,025
2030	10,000	68,702	78,702
2031	5,000	68,450	73,450
2032		68,362	68,362
2033		68,362	68,362
2034		68,362	68,362
2035		68,362	68,362
2036	190,000	64,942	254,942
2037	200,000	57,872	257,872
2038	205,000	50,481	255,481
2039	210,000	42,750	252,750
2040	225,000	34,485	259,485
2041	230,000	25,840	255,840
2042	245,000	16,815	261,815
2043	320,000	6,080	326,080
	<u>\$ 1,905,000</u>	<u>\$ 1,058,697</u>	<u>\$ 2,963,697</u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 45,000	\$ 70,964	\$ 115,964
2026	50,000	69,514	119,514
2027	55,000	67,873	122,873
2028	55,000	66,113	121,113
2029	60,000	64,206	124,206
2030	60,000	61,994	121,994
2031	60,000	59,594	119,594
2032	70,000	56,994	126,994
2033	65,000	54,416	119,416
2034	70,000	51,969	121,969
2035	75,000	49,294	124,294
2036	80,000	46,388	126,388
2037	85,000	43,294	128,294
2038	90,000	40,013	130,013
2039	95,000	36,544	131,544
2040	95,000	32,981	127,981
2041	105,000	29,100	134,100
2042	105,000	24,900	129,900
2043	115,000	20,500	135,500
2044	455,000	9,100	464,100
	<u>\$ 1,890,000</u>	<u>\$ 955,751</u>	<u>\$ 2,845,751</u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 60,000	\$ 66,125	\$ 126,125
2026	60,000	64,775	124,775
2027	60,000	63,350	123,350
2028	60,000	61,775	121,775
2029	65,000	59,975	124,975
2030	70,000	57,950	127,950
2031	70,000	55,850	125,850
2032	70,000	53,750	123,750
2033	80,000	51,500	131,500
2034	80,000	49,100	129,100
2035	80,000	46,700	126,700
2036	85,000	44,172	129,172
2037	85,000	41,516	126,516
2038	90,000	38,781	128,781
2039	90,000	35,913	125,913
2040	95,000	32,906	127,906
2041	90,000	29,900	119,900
2042	95,000	26,894	121,894
2043	100,000	23,725	123,725
2044	100,000	20,475	120,475
2045	580,000	9,425	589,425
	<u>\$ 2,165,000</u>	<u>\$ 934,557</u>	<u>\$ 3,099,557</u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 40,000	\$ 66,819	\$ 106,819
2026	45,000	65,119	110,119
2027	50,000	63,219	113,219
2028	50,000	61,219	111,219
2029	50,000	59,219	109,219
2030	55,000	57,119	112,119
2031	60,000	54,819	114,819
2032	60,000	52,869	112,869
2033	60,000	51,369	111,369
2034	65,000	49,806	114,806
2035	65,000	48,181	113,181
2036	75,000	46,384	121,384
2037	80,000	44,350	124,350
2038	80,000	42,250	122,250
2039	85,000	40,031	125,031
2040	85,000	37,694	122,694
2041	90,000	35,288	125,288
2042	95,000	32,625	127,625
2043	100,000	29,700	129,700
2044	105,000	26,625	131,625
2045	110,000	23,400	133,400
2046	725,000	10,875	735,875
	<u>\$ 2,230,000</u>	<u>\$ 998,980</u>	<u>\$ 3,228,980</u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-5. Long-Term Debt Service Requirements
Series 2021--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 75,000	\$ 66,681	\$ 141,681
2026	75,000	62,931	137,931
2027	75,000	59,182	134,182
2028	80,000	56,506	136,506
2029	85,000	54,856	139,856
2030	80,000	53,206	133,206
2031	85,000	51,557	136,557
2032	90,000	49,807	139,807
2033	90,000	48,006	138,006
2034	95,000	46,155	141,155
2035	100,000	44,206	144,206
2036	95,000	42,257	137,257
2037	95,000	40,357	135,357
2038	95,000	38,457	133,457
2039	100,000	36,444	136,444
2040	100,000	34,319	134,319
2041	105,000	32,140	137,140
2042	110,000	29,856	139,856
2043	105,000	27,506	132,506
2044	110,000	25,088	135,088
2045	110,000	22,613	132,613
2046	100,000	20,250	120,250
2047	850,000	9,562	859,562
	<u>\$ 2,905,000</u>	<u>\$ 951,942</u>	<u>\$ 3,856,942</u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 25,000	\$ 46,319	\$ 71,319
2026	25,000	44,631	69,631
2027	25,000	42,944	67,944
2028	25,000	41,256	66,256
2029	20,000	39,738	59,738
2030	25,000	38,594	63,594
2031	20,000	37,750	57,750
2032	20,000	37,000	57,000
2033	20,000	36,250	56,250
2034	15,000	35,594	50,594
2035	15,000	35,031	50,031
2036	10,000	34,562	44,562
2037	10,000	34,188	44,188
2038		34,000	34,000
2039		34,000	34,000
2040		34,000	34,000
2041		34,000	34,000
2042		34,000	34,000
2043		34,000	34,000
2044		34,000	34,000
2045		34,000	34,000
2046		34,000	34,000
2047		34,000	34,000
2048	850,000	17,000	867,000
	<u>\$ 1,105,000</u>	<u>\$ 860,857</u>	<u>\$ 1,965,857</u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-5. Long-Term Debt Service Requirements
Series 2022 Refunding--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 120,000	\$ 38,550	\$ 158,550
2026	120,000	35,466	155,466
2027	125,000	32,318	157,318
2028	130,000	29,041	159,041
2029	135,000	25,635	160,635
2030	140,000	22,102	162,102
2031	145,000	18,440	163,440
2032	150,000	14,648	164,648
2033	160,000	10,666	170,666
2034	165,000	6,489	171,489
2035	170,000	2,185	172,185
	<u>\$ 1,560,000</u>	<u>\$ 235,540</u>	<u>\$ 1,795,540</u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 45,000	\$ 129,325	\$ 174,325
2026	50,000	126,000	176,000
2027	55,000	122,325	177,325
2028	60,000	118,300	178,300
2029	65,000	113,925	178,925
2030	65,000	109,700	174,700
2031	75,000	105,500	180,500
2032	75,000	101,375	176,375
2033	75,000	97,625	172,625
2034	80,000	93,750	173,750
2035	85,000	90,050	175,050
2036	65,000	87,050	152,050
2037	70,000	84,350	154,350
2038	85,000	81,250	166,250
2039	80,000	77,950	157,950
2040	85,000	74,650	159,650
2041	90,000	71,150	161,150
2042	85,000	67,650	152,650
2043	90,000	64,150	154,150
2044	90,000	60,550	150,550
2045	95,000	56,850	151,850
2046	95,000	53,050	148,050
2047	100,000	49,087	149,087
2048	125,000	44,447	169,447
2049	1,015,000	20,934	1,035,934
	<u>\$ 2,900,000</u>	<u>\$ 2,100,993</u>	<u>\$ 5,000,993</u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
July 31, 2024

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2025	\$ 455,000	\$ 581,520	\$ 1,036,520
2026	470,000	563,973	1,033,973
2027	490,000	545,495	1,035,495
2028	505,000	527,199	1,032,199
2029	525,000	509,220	1,034,220
2030	540,000	490,967	1,030,967
2031	560,000	472,416	1,032,416
2032	575,000	454,031	1,029,031
2033	595,000	436,041	1,031,041
2034	615,000	417,553	1,032,553
2035	635,000	398,818	1,033,818
2036	650,000	378,961	1,028,961
2037	675,000	357,446	1,032,446
2038	700,000	334,945	1,034,945
2039	720,000	311,332	1,031,332
2040	745,000	286,635	1,031,635
2041	775,000	260,831	1,035,831
2042	800,000	233,878	1,033,878
2043	830,000	205,661	1,035,661
2044	860,000	175,838	1,035,838
2045	895,000	146,288	1,041,288
2046	920,000	118,175	1,038,175
2047	950,000	92,649	1,042,649
2048	975,000	61,447	1,036,447
2049	1,015,000	20,934	1,035,934
	<u>\$ 17,475,000</u>	<u>\$ 8,382,253</u>	<u>\$ 25,857,253</u>

See accompanying auditor's report.

Galveston County Municipal Utility District No. 32
TSI-6. Change in Long-Term Bonded Debt
July 31, 2024

Page 1 of 3

	Bond Issue			
	Series 2016	Series 2017	Series 2018	Series 2019
Interest rate	2.00% - 3.50%	3.00% - 3.80%	2.50% - 4.00%	2.00% - 3.25%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/17 - 9/1/41	9/1/19 - 9/1/42	9/1/20 - 9/1/43	9/1/20 - 9/1/44
Beginning bonds outstanding	\$ 840,000	\$ 1,920,000	\$ 1,935,000	\$ 2,225,000
Bonds retired	(25,000)	(15,000)	(45,000)	(60,000)
Ending bonds outstanding	<u>\$ 815,000</u>	<u>\$ 1,905,000</u>	<u>\$ 1,890,000</u>	<u>\$ 2,165,000</u>
Interest paid during fiscal year	<u>\$ 26,776</u>	<u>\$ 71,058</u>	<u>\$ 72,280</u>	<u>\$ 67,400</u>
Paying agent's name and city All Series	<u>The Bank of New York Mellon Trust Company, N.A. Dallas, TX</u>			

	Water, Sewer and Drainage Bonds	Park Bonds	Refunding Bonds
Bond Authority:			
Amount Authorized by Voters	\$ 36,950,000	\$ 1,730,000	\$ 24,000,000
Amount Issued	(19,175,000)		(75,000)
Remaining To Be Issued	<u>\$ 17,775,000</u>	<u>\$ 1,730,000</u>	<u>\$ 23,925,000</u>

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

Debt Service Fund cash and investment balances as of July 31, 2024: \$ 1,942,448

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,034,290

See accompanying auditor's report.

	Bond Issue			
	Series 2020	Series 2021	Series 2022	Series 2022 Refunding
Interest rate	2.50% - 4.00%	2.00% - 5.00%	3.75% - 6.75%	2.57%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/21 - 9/1/45	9/1/22 - 9/1/46	9/1/23 - 9/1/47	9/1/22 - 9/1/34
Beginning bonds outstanding	\$ 2,270,000	\$ 2,980,000	\$ 1,120,000	\$ 1,675,000
Bonds retired	(40,000)	(75,000)	(15,000)	(115,000)
Ending bonds outstanding	<u>\$ 2,230,000</u>	<u>\$ 2,905,000</u>	<u>\$ 1,105,000</u>	<u>\$ 1,560,000</u>
Interest paid during fiscal year	<u>\$ 68,418</u>	<u>\$ 70,431</u>	<u>\$ 47,669</u>	<u>\$ 41,570</u>

See accompanying auditor's report.

<u>Bond Issue</u>	
<u>Sereis 2023</u>	<u>Totals</u>
4.00 % - 7.00%	
9/1; 3/1	
9/1/24 - 9/1/48	
\$ 2,900,000	\$ 17,865,000
	(390,000)
<u>\$ 2,900,000</u>	<u>\$ 17,475,000</u>
<u>\$ 95,630</u>	<u>\$ 561,232</u>

Galveston County Municipal Utility District No. 32

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 275,724	\$ 190,470	\$ 156,591	\$ 122,074	\$ 113,378
Investment earnings	7,395	4,395	248	76	173
Total Revenues	283,119	194,865	156,839	122,150	113,551
Expenditures					
Operating and administrative					
Professional fees	80,753	106,831	120,375	90,576	72,848
Contracted services	14,490	15,050	14,239	11,100	11,025
Repairs and maintenance	40,065	48,298	5,220	12,173	2,070
Administrative	16,368	17,169	23,413	17,382	14,298
Other	756	2,900	316	1,811	2,900
Total Expenditures	152,432	190,248	163,563	133,042	103,141
Revenues Over/(Under) Expenditures	\$ 130,687	\$ 4,617	\$ (6,724)	\$ (10,892)	\$ 10,410

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
97%	98%	100%	100%	100%
3%	2%	*	*	*
100%	100%	100%	100%	100%
29%	55%	77%	74%	64%
5%	8%	9%	9%	10%
14%	25%	3%	10%	2%
6%	9%	15%	14%	13%
*	1%	*	1%	3%
54%	98%	104%	108%	92%
46%	2%	(4%)	(8%)	8%

Galveston County Municipal Utility District No. 32

TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund

For the Last Five Fiscal Years

	Amounts				
	2024	2023	2022	2021	2020
Revenues					
Property taxes	\$ 1,127,249	\$ 1,108,556	\$ 911,427	\$ 786,826	\$ 596,028
Penalties and interest	8,404	10,958	2,304	7,547	5,894
Investment earnings	76,995	49,959	3,601	569	1,337
Total Revenues	1,212,648	1,169,473	917,332	794,942	603,259
Expenditures					
Tax collection services	30,893	34,675	28,731	26,073	16,365
Debt service					
Principal	390,000	355,000	230,000	215,000	115,000
Interest and fees	567,832	465,070	530,864	407,571	339,198
Total Expenditures	988,725	854,745	789,595	648,644	470,563
Revenues Over Expenditures	\$ 223,923	\$ 314,728	\$ 127,737	\$ 146,298	\$ 132,696

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2024	2023	2022	2021	2020
93%	95%	100%	99%	99%
1%	1%	*	1%	1%
6%	4%	*	*	*
100%	100%	100%	100%	100%
3%	3%	3%	3%	3%
32%	30%	25%	27%	19%
47%	40%	58%	51%	56%
82%	73%	86%	81%	78%
18%	27%	14%	19%	22%

Galveston County Municipal Utility District No. 32
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended July 31, 2024

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 8, 2024
Limit on Fees of Office 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				
Jeff Braun	05/24 - 05/28	\$ -	\$ 1,180	President
William Thompson	05/24 - 05/28	1,989	1,238	Vice President
Vacant				Secretary
Dottie J. Hayter	05/22 - 05/26	1,326	198	Assistant Vice President
Bredawn Riley	05/24 - 05/28	1,547	370	Assistant Secretary
Erik Haaland	05/22 - 06/24	1,105		Former Director
Consultants				
Allen Boone Humphries Robinson LLP	08/05	<u>Amounts Paid</u>		Attorney
<i>General legal fees</i>		\$ 54,709		
Myrtle Cruz, Inc.	08/05	14,038		Bookkeeper
Assessments of the Southwest, Inc.	08/05	11,556		Tax Collector
Galveston Central Appraisal District	Legislation	9,352		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/06	2,498		Delinquent Tax Attorney
IDS Engineering Group	08/05	18,558		Engineer
McGrath & Co., PLLC	07/11	14,000		Auditor
RBC Capital Markets	08/05			Financial Advisor

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

McGRATH & CO., PLLC

Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

November 14, 2024

Board of Directors
Galveston County Municipal Utility District No. 32
Galveston County, Texas

In planning and performing our audit of the financial statements of governmental activities and each major fund of Galveston County Municipal Utility District No. 32 (the "District"), as of and for the year ended July 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal controls exists when the design or operation of a control does not allow management, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

The District's management consists of an elected Board of Directors (the "Directors"). Day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors of the District are responsible for the design and implementation of the system of internal control.

Material Weaknesses

We observed the following matters that we consider to be material weaknesses:

- As is common within the system of internal control of most small organizations, the accounting function of the District does not prepare the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. This could result in the District's financial statements and related note disclosures not fully or accurately presenting the District's financial position and changes in financial position during the fiscal year in conformity with accounting principles generally accepted in the United States of America.

- During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on both the fund basis and the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments could result in misstatements in the District's financial statements.
- The District's Management relies on the District's auditor to prepare the capital asset schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function could result in the understatement or overstatement of capital assets and due to developer on the District's *Statement of Net Position* or an error in the amount reported as depreciation expense in the *Statement of Activities*.

Management's Response

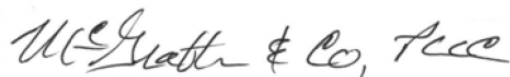
The District's financial statements have been prepared in a manner that is consistent with prior years. The Board engages a bonded bookkeeper who possesses industry knowledge and expertise, including a concentration in special districts accounting. The Board also engages a financial advisor and tax assessor/collector who possess industry knowledge and expertise, as well as legal and professional engineering services. The Board has consulted with its independent auditor concerning this "management letter" and the auditor does not recommend any change in the Board's bookkeeping or audit procedures at this time. To the best of its knowledge, the Board conducts the District's business affairs in the same manner as other similarly situated special districts, and, based on the recommendations of its auditor, does not believe that the addition of an employee to oversee the monthly and annual financial reporting process or to prepare financial statements or that undertaking an additional annual audit is necessary or cost effective.

Conclusion

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "McGrath & Co, PLLC".

McGrath & Co., PLLC-CPAs
Houston, Texas

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN