This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 15, 2026

This Preliminary OFFICIAL STATEMENT is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the OFFICIAL STATEMENT will be completed and delivered to the Underwriter.

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 WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

$7,230,000
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 36
(A political subdivision of the State of Texas located within Galveston County)
UNLIMITED TAX ROAD BONDS
SERIES 2026

The bonds described above (the "Bonds") are obligations solely of Galveston County Municipal Utility District No. 36 (the "District") and are not obligations of the State of Texas, Galveston County, the City of League City or any entity other than the District.

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

Dated Date: October 1, 2026 **Due: September 1, as shown below**
Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA in Dallas, Texas (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the initial date of delivery (expected on or about October 21, 2026) (the "Date of Delivery"), and is payable each March 1 and September 1, commencing March 1, 2027, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

MATURITY SCHEDULE

Principal Amount (a)	Maturity (September 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)	Principal Amount (a)	Maturity (September 1)	CUSIP Number (b)	Interest Rate	Initial Reoffering Yield (c)
$ 160,000	2028		%	%	$ 290,000	2040 (d)		%	%
170,000	2029				305,000	2041 (d)			
180,000	2030				320,000	2042 (d)			
190,000	2031				340,000	2043 (d)			
200,000	2032				355,000	2044 (d)			
205,000	2033 (d)				370,000	2045 (d)			
220,000	2034 (d)				390,000	2046 (d)			
230,000	2035 (d)				410,000	2047 (d)			
240,000	2036 (d)				430,000	2048 (d)			
250,000	2037 (d)				455,000	2049 (d)			
265,000	2038 (d)				475,000	2050 (d)			
280,000	2039 (d)				500,000	2051 (d)			

(a) The Underwriter (as herein defined) may designate one or more maturities as term bonds. See accompanying "OFFICIAL NOTICE OF SALE."
(b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.
(d) Bonds maturing on or after September 1, 2033, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about October 21, 2026.

Bids Due: Tuesday, September 22, 2026 at 9:15 A.M., Houston Time in Houston, Texas
Bid Award: Tuesday, September 22, 2026 at 11:30 A.M., Houston Time in League City, Texas

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, as amended and in effect on the date hereof, this document constitutes an OFFICIAL STATEMENT with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas, 77027, for further information.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of _____% of the par value thereof, which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description… The District is a political subdivision of the State of Texas created by an order of the Texas Commission on Environmental Quality (the "TCEQ") on August 3, 2007 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. Additionally, in 2015 the District obtained road powers via Senate Bill No. 2032 in the 84th Texas Legislative Session. The District consists of approximately 370 acres of land. See "THE DISTRICT."

Location... The District is located approximately 30 miles southeast of the central downtown business district of the City of Houston and lies wholly within the corporate limits of the City of League City, Texas (the "City"). The District is located approximately 5 miles southwest of the intersection of Interstate Highway 45 and League City Parkway and access is provided by Maple Leaf Drive to Muldoon Parkway. See "THE DISTRICT—Description and Location" and "AERIAL PHOTOGRAPH."

The Developer… The land within the District is being developed by Forestar (USA) Real Estate Group Inc., a Delaware corporation authorized to conduct business in the State of Texas (the "Developer"). The Developer is a wholly-owned subsidiary of Forestar Group, Inc., a Delaware corporation with its principal place of business in Arlington, Texas, that specializes in real estate development ("Forestar Group"). Forestar Group is a majority owned subsidiary of DR Horton, Inc., a Delaware corporation ("DR Horton"), and DR Horton is a national homebuilder. See "THE DEVELOPER," "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Principal Taxpayers."

Status of Development... The District is being developed as part of the community of Westland Ranch. Single-family residential development in the District currently includes 674 single-family residential lots on approximately 194 acres. According to Developer, as of September 1, 2026, 483 homes were completed (of which 458 were occupied and 25 were unoccupied), 72 homes were under construction, and 119 vacant developed lots were available for home construction.

In addition, parks and recreational facilities have been constructed on approximately 8 acres in the District which includes a recreation center, a resort style pool, a playground, a wiffleball field, a pavilion/event space, walking trails, pickleball courts and two pocket parks.

The remainder of the District consists of approximately 99 acres of undeveloped but developable land and approximately 69 acres of undevelopable land (easements, rights-of-way, open space, utility sites and drainage detention). See "THE DISTRICT—Land Use" and "—Status of Development."

Homebuilding… Homebuilders actively marketing or building homes in Westland Ranch include DR Horton, Ashton Woods, Brightland Homes, K. Hovnanian and Chesmar Homes. According to the Developer, home sales prices in the District range from approximately $350,000 to $650,000. See "THE DISTRICT—Homebuilding and Lot Sales Contracts."

Water and Wastewater… Water supply and wastewater treatment for the District is provided by the City and all revenues from the collection of charges for water and sewer services are paid directly to the City. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY" and "THE SYSTEM."

Payment Record… The District has previously issued $17,705,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities in three series and $4,715,000 principal amount of unlimited tax bonds for road facilities in one series, of which $22,135,000 principal amount will remain outstanding as of September 2, 2026 (the "Outstanding Bonds"). The District has never defaulted on the payment of principal and interest on the Outstanding Bonds. The Bonds are the District's second issuance of unlimited tax bonds for road facilities. The District capitalized twelve (12) months of interest from the Series 2026 Bonds issued in May 2026 and will capitalize twelve (12) months of interest from proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

THE BONDS

Description... The $7,230,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds") are being issued as fully-registered bonds pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the District's Board of Directors (the "Board"). The Bonds are scheduled to mature serially on September 1 in each of the years 2028 through 2051, both inclusive, and in the principal amounts and accrue interest at the rates shown on the cover page hereof. Interest on the Bonds accrues from the Date of Delivery and is payable March 1, 2027, and each September 1 and March 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. See "THE BONDS."

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

Redemption... Bonds maturing on or after September 1, 2033 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2032, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS—Redemption Provisions."

Use of Proceeds... Proceeds of the Bonds will be used to pay for construction costs as shown herein under the heading "USE AND DISTRIBUTION OF BOND PROCEEDS," to capitalize twelve (12) months of interest on the Bonds, to pay interest on funds advanced by the Developer on behalf of the District, and to pay certain other costs and engineering fees related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Authority for Issuance... The Bonds are the second series of bonds issued out of an aggregate of $55,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing road facilities. The Bonds are issued by the District pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution"), Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

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

Municipal Bond Rating and Municipal Bond Insurance...	The District has not applied for an underlying rating on the Bonds nor is it expected that the District would have received an investment grade rating had such application been made. Applications have been made to municipal bond insurance companies for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option and expense of the Underwriter. Any rating fees associated with the insurance will be the responsibility of the Underwriter. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."
Qualified Tax-Exempt Obligations...	The Bonds will be designated "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations."
Bond Counsel...	Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT OF THE DISTRICT," "LEGAL MATTERS" and "TAX MATTERS."
Financial Advisor...	Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT OF THE DISTRICT."
Disclosure Counsel...	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Paying Agent/Registrar...	BOKF, NA in Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2026 Taxable Assessed Valuation	$187,440,981	(a)
Estimated Taxable Assessed Valuation as of May 1, 2026	$217,563,464	(b)
Gross Direct Debt Outstanding	$29,365,000	(c)
Estimated Overlapping Debt	6,951,381	(d)
Gross Direct Debt and Estimated Overlapping Debt	$36,316,381	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	15.67%	
Estimated Taxable Assessed Valuation as of May 1, 2026	13.50%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	19.37%	
Estimated Taxable Assessed Valuation as of May 1, 2026	16.69%	
Debt Service Funds Available:		
Water, Wastewater and Drainage Debt Service Fund Balance as of August 3, 2026	$1,190,080	(e)
Road Debt Service Fund Balance as of August 3, 2026	364,895	(e)
Capitalized Interest from Bond Proceeds (Twelve (12) Months)	361,500	(f)
Total Debt Service Funds Available	$1,916,475	(e)
Operating Funds Available as of August 3, 2026	$347,440	
Water, Wastewater and Drainage Capital Projects Funds Available as of August 3, 2026	$ 2,108	
Road Capital Projects Funds Available as of August 3, 2026	$ 46,790	(g)
2025 Debt Service Tax Rate	$0.70	
2025 Maintenance and Operations Tax Rate	0.45	
2025 Total Tax Rate	$1.15	
Anticipated 2026 Debt Service Tax Rate	$0.85	
Anticipated 2026 Maintenance and Operations Tax Rate	0.30	
Anticipated 2026 Total Tax Rate	$1.15	(h)
Average Annual Debt Service Requirement (2027-2051)	$1,957,360	(i)
Maximum Annual Debt Service Requirement (2028)	$2,100,744	(i)
Tax Rates Required to Pay Average Annual Debt Service (2027-2051) at a 95% Collection Rate		
Based upon 2026 Taxable Assessed Valuation	$1.10	(j)
Based upon Estimated Taxable Assessed Valuation as of May 1, 2026	$0.95	(j)
Tax Rates Required to Pay Maximum Annual Debt Service (2028) at a 95% Collection Rate		
Based upon 2026 Taxable Assessed Valuation	$1.18	(j)
Based upon Estimated Taxable Assessed Valuation as of May 1, 2026	$1.02	(j)
Status of Development as of September 1, 2026 (k):		
Total Developed Lots	674	
Completed Homes (458 Occupied and 25 Unoccupied)	483	
Homes Under Construction	72	
Lots Available for Construction	119	
Estimated Population	1,603	(l)

(a) The Galveston Central Appraisal District (the "Appraisal District") has certified $176,739,185 of taxable value and an additional $10,701,796 of taxable value remains uncertified and is subject to review and downward adjustment. The 2026 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable assessed value within the District on May 1, 2026. Increases in value that occur between January 1, 2026 and May 1, 2026 will be certified as of January 1, 2027. No taxes will be levied upon such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."

(c) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."

(d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."

(e) Funds in the Water, Wastewater and Drainage Debt Service Fund are available to pay debt service on the bonds issued for water, sewer and drainage facilities and are not available to pay debt service on bonds issued for road facilities (including the Bonds). Funds in the Road Debt Service Fund are available to pay debt service on the bonds issued for road facilities, (including the Bonds) and are not available to pay debt service on the bonds for water, wastewater and drainage facilities. See "THE BONDS—Funds."

(f) The District will capitalize twelve (12) months of interest from proceeds of the Bonds. The amount above is based on an estimated interest rate of 5.00% per annum. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(g) The District will contribute $40,000 of surplus Road Capital Projects Funds towards the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(h) The District authorized publication of its intent to levy a total tax rate of $1.15 per $100 of taxable assessed valuation, of which $0.85 per $100 of taxable assessed valuation is allocated to debt service and $0.30 per $100 of taxable assessed valuation is allocated to maintenance and operations. Such tax rate is expected to be adopted in September 2026 and is subject to change prior to official levy. See "TAX DATA—Historical Tax Rate."

(i) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

(j) See "TAX DATA—Tax Adequacy for Debt Service" and "RISK FACTORS—Possible Impact on District Tax Rates."

(k) See "THE DISTRICT—Status of Development."

(l) Based upon 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 36

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

$7,230,000

UNLIMITED TAX ROAD BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Galveston County Municipal Utility District No. 36 (the "District") of its $7,230,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued by the District pursuant to a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), an election held within the District, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, certain other information about the District and Forestar (USA) Real Estate Group Inc., a Delaware corporation ("Forestar"). Forestar is referred to herein as the "Developer." All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

THE BONDS

Description

The Bonds will be dated October 1, 2026 and accrue interest from the Date of Delivery, with interest payable each March 1 and September 1, beginning March 1, 2027 (each, an "Interest Payment Date"), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of $5,000 or any integral multiple of $5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed BOKF, NA in Dallas, Texas as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Source of Payment

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

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

Funds

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

The District also maintains a Water, Wastewater and Drainage Debt Service Fund that is not pledged or available to pay principal and interest on bonds issued to finance road facilities, including the Bonds. Funds in the Road Debt Service Fund are not available to pay principal of and interest on bonds issued to finance water, wastewater and drainage facilities.

Twelve (12) months of capitalized interest will be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Road Capital Projects Fund, to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Road Capital Projects Fund after completion of construction of the road facilities will be used as described in the Bond Resolution or ultimately transferred to the Road Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a complete description of the use of Bond proceeds and the projects related thereto.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000 on September 1, 2032, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

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

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

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

Authority for Issuance

At a bond election held within the District, voters of the District authorized the issuance of $55,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities. The Bonds are issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, an election held within the District, Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the Book-Entry-Only System should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

No Arbitrage

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

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

At a bond election held within the District on May 2, 2020, voters of the District authorized a total of $55,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing road facilities and $55,000,000 principal amount of unlimited tax bonds for the further purpose of refunding such bonds, a total of $92,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities and a total of $92,100,000 principal amount of unlimited tax bonds for the further purpose of refunding such bonds, and a total of $18,290,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities and $18,290,000 principal amount of unlimited tax bonds for the further purpose of refunding such bonds.

After the issuance of the Bonds, $43,055,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of purchasing and constructing a roadway system, $74,395,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of acquiring or constructing water, wastewater and drainage facilities and all of the unlimited tax bonds authorized for refunding of such water, wastewater and drainage facilities bonds and roadway system bonds and for acquiring or constructing parks and recreational facilities and for refunding of such bonds will remain authorized but unissued. The Bonds constitute the fifth issuance of bonds by the District. See "RISK FACTORS—Future Debt."

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District issues park bonds payable from taxes, the following actions are required: (a) approval of the park plan and bonds by the Texas Commission on Environmental Quality (the "TCEQ"); and (b) approval of the bonds by the City and Attorney General of Texas. Further, the principal amount of unlimited tax bonds issued by the District for constructing and/or acquiring park and recreational facilities may not exceed one percent (1%) of the District's certified taxable assessed valuation, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District. At an election held in the District, voters approved $18,290,000 principal amount of unlimited tax park bonds for the purpose of acquiring or constructing parks and recreational facilities and $18,290,000 principal amount of unlimited tax bonds for refunding such bonds, all of which remains authorized but unissued. See "RISK FACTORS—Future Debt."

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

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. The District expects to issue additional bonds in order to reimburse the Developer for the cost of water, wastewater and drainage facilities, recreational facilities and roadways constructed within the District. Issuance of any additional bonds could increase gross debt/property ratios and could dilute the investment security for the Bonds.

Consolidation

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

Dissolution by the City of League City

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be dissolved by the City without the District's consent. If the District is dissolved, the City will assume the District's assets and obligations (including the Bonds). Dissolution of the District by the City is a policy matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that dissolution will or will not occur and makes no representation of the City's financial capability to pay debt service on the Bonds if such dissolution were to occur. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY" for a discussion of certain limitations on the City's right to dissolve the District.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observance 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 sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond 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. See "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY

All land in the District is located within the corporate limits of the City. The City and the Developer entered into the Amended and Restated Utility Agreement, effective April 24, 2018 (the "Utility Agreement"), assigned to the District on March 11, 2020, which obligates (1) the District to acquire, construct and extend water, wastewater and storm drainage facilities (the "System") to serve land in the District and, when completed in accordance with plans and specifications approved by the City, to convey title to water and wastewater facilities to the City and (2) the City to provide permanent water supply and wastewater treatment for the District. The District retains ownership and operation responsibilities for storm drainage and detention facilities and park and recreation facilities. Pursuant to the Utility Agreement, the City operates and maintains such water and wastewater facilities and is responsible for establishing water and sewer rates and collection charges for water and sewer service from District residents and the District purchases capacity in the City's water supply and wastewater treatment facilities by paying water and wastewater recovery impact fees to the City. Such fees may be amended by the City from time to time and at any time, subject to certain limitations imposed by state law. The City also levies and collects ad valorem taxes on all taxable property within the District just as it does with any other property located in the City.

The District has agreed to extend the System to serve future users as necessary so that ultimately all landowners in the District will be in a position to receive services from the System; however, the District's obligation to extend the System is conditioned upon continued development within the District, the City's performance under the provisions of the Utility Agreement, and satisfaction of certain determinations of economic feasibility by the Board and the TCEQ, and TCEQ approval and the ability of the District to sell bonds.

The City's right to dissolve the District is restricted under the Utility Agreement. The City and the District have agreed that the District, in order to complete full development, will issue bonds in multiple series and that the District will not be dissolved until development is substantially complete. See "THE BONDS—Dissolution by the City of League City."

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by GFT Infrastructure, Inc., the District's engineer (the "Engineer"). Non-construction costs are based upon either contract amounts or estimates of various costs by the Engineer and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of certain agreed-upon procedures by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used.

CONSTRUCTION COSTS		
• Paving to serve Maple Leaf, Muldoon & Sections 1-3	$	1,358,208
• Paving to serve Section 7 & Muldoon Parkway		2,392,142
• Paving to serve Section 4, Magnolia Bayou & Muldoon West		799,608
• Engineering		414,332
• Land Costs		345,230
• Less: Surplus Funds (a)		(40,000)
Total Construction Costs	**$**	**5,269,520**
NON-CONSTRUCTION COSTS		
• Underwriter's Discount (Estimated at 3.00%)	$	216,900
• Capitalized Interest (Twelve (12) Months Estimated at 5.00%)		361,500
• Developer Interest (Estimated)		969,833
Total Non-Construction Costs	**$**	**1,548,233**
ISSUANCE COSTS AND FEES		
• Issuance Costs and Professional Fees	$	385,017
• Bond Engineering Fees		20,000
• State Regulatory Fees		7,230
Total Issuance Costs and Fees	**$**	**412,247**
TOTAL BOND ISSUE	**$**	**7,230,000**

(a) The District will contribute $40,000 of surplus Road Capital Projects Funds towards the issuance of the Bonds. See "SELECTED FINANCIAL INFORMATION (UNAUDITED)."

THE DISTRICT

General

The District is a political subdivision of the State of Texas created by an order of the TCEQ on August 3, 2007 and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. Additionally, in 2015, the District obtained road powers via Senate Bill No. 2032 in the 84th Texas Legislative Session.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, if approved by the City, the TCEQ and the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance park and recreational facilities and roads.

The TCEQ exercises continuing supervisory jurisdiction over the District. In order to obtain the consent for creation from the City, within which the District is located, the District is required to observe certain requirements of the City consent ordinance which: limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities, park and recreational facilities and roads; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to lots and commercial or multi-family reserves described in plats which have been approved by the Planning Commission of the City and recorded in the real property records. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM—Regulation."

Description and Location

The District consists of approximately 370 acres of land and is located approximately 30 miles southeast of the central downtown business district of the City of Houston and lies wholly within the corporate limits of the City. The District is located approximately 5 miles southwest of the intersection of Interstate Highway 45 and League City Parkway and access is provided by Maple Leaf Drive to Muldoon Parkway. See "AERIAL PHOTOGRAPH."

Land Use

The District currently includes approximately 194 acres of single-family residential development (674 lots), approximately 8 acres of parks and recreational facilities, approximately 99 acres of undeveloped but developable land, and approximately 69 acres of undevelopable land. The table below represents a detailed breakdown of the current acreage and development in the District.

Single-Family Residential:	Approximate Acres	Lots
Westland Ranch:		
Section One	4	12
Section Two	21	79
Section Three	29	82
Section Four	23	67
Section Five	28	87
Section Six	21	70
Section Seven	31	130
Section Eight	11	44
Section Nine	26	103
Subtotal	194	674
Parks and Recreation	8	--
Future Development	99	--
Undevelopable (a)	69	--
Subtotal	176	--
Totals	370	674

(a) Includes easements, right-of-way, open space, utility sites and drainage detention.

Status of Development

The District is being developed as part of the community of Westland Ranch. Single-family residential development in the District currently includes 674 single-family residential lots on approximately 194 acres. According to the Developer, as of September 1, 2026, 483 homes were completed (of which 458 were occupied and 25 were unoccupied), 72 homes were under construction and 119 vacant developed lots were available for home construction.

In addition, parks and recreational facilities have been constructed on approximately 8 acres in the District which includes a recreation center, a resort style pool, a playground, a wiffleball field, a pavilion/event space, walking trails, pickleball courts and two pocket parks. The remainder of the District consists of approximately 99 acres of undeveloped but developable land and approximately 69 acres of undevelopable land (easements, rights-of-way, open space, utility sites and drainage detention).

Homebuilding and Lot Sales Contracts

Homebuilders actively marketing or building homes in Westland Ranch include DR Horton, Ashton Woods, Brightland Homes, K. Hovnanian and Chesmar Homes. The Developer has developed all currently existing lots within the District and retains ownership of developed lots until the lots are taken down for home construction. Pursuant to lot sales agreements, each builder is required to make an earnest money deposit and to purchase single-family lots on a specified schedule, depending upon lot size and home sales price point. According to the Developer, each of the homebuilders is in substantial compliance with all of the terms of its respective lot sales contract. Homebuilders in the District contract directly with the Developer and have no obligation to or agreement with the District to construct any homes or other taxable improvements in the District. According to the Developer, new homes in the District range in price from approximately $350,000 to $650,000.

THE DEVELOPER

Role of a Developer

The activities of a landowner or developer in a municipal utility district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of streets and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developer or third parties. While a developer is required by the TCEQ to pave streets in areas where utilities are to be financed by a district through a specified bond issue, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers should note that the prior real estate experience of the Developer should not be construed as an indication that further development within the District will occur, or that construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. See "RISK FACTORS—Dependence on Principal Taxpayers."

Forestar (USA) Real Estate Group Inc.

The land within the District is being developed by Forestar (USA) Real Estate Group Inc., a Delaware corporation authorized to conduct business in the State of Texas (the "Developer"). The Developer is a wholly-owned subsidiary of Forestar Group, Inc., a Delaware corporation with its principal place of business in Arlington, Texas, that specializes in real estate development ("Forestar Group"). Forestar Group is a majority owned subsidiary of DR Horton, Inc., a Delaware corporation ("DR Horton"), and DR Horton is a national homebuilder. See "TAX DATA—Principal Taxpayers" and "RISK FACTORS—Dependence on Principal Taxpayers."

Forestar Group and DR Horton are publicly traded companies listed on the New York Stock Exchange under the ticker symbols "FOR" and "DHI," respectively, and are subject to the reporting requirements of the Securities Exchange Act of 1934. In accordance therewith, Forestar Group and DR Horton file reports and other information with the Securities and Exchange Commission (the "SEC"). Certain information, including financial information, as of particular dates, is disclosed in certain reports and statements filed with the SEC. All such reports and statements may be inspected and copied at the public reading room maintained by the SEC at 100 F St. N.E., Washington, D.C. 20549, and electronically through the SEC's website (www.sec.gov).

In addition, the Forestar Group makes available on its website http://www.forestar.com their annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (and any amendments to those reports) filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as practicable after they have been electronically filed with the SEC as well as other financial institutions. **Unless otherwise specified, information contained on the Forestar Group's website available by hyperlink or on the SEC's website, is not incorporated into this OFFICIAL STATEMENT.**

Development Financing: The Developer has obtained financing for a portion of the development of Westland Ranch through the National Finance Authority of New Hampshire (the "NFA"). The NFA issued $153,000,000 Special Revenue Bonds (Forestar Group Houston-Area Projects – Fort Bend, Galveston, Montgomery and Walker Counties, Texas), Series 2026 (the "NFA Bonds"), which are secured in part by the sale and assignment of the Developer's right to receive proceeds from the Bonds and the future sale of unlimited tax bonds issued by the District. According to the Developer, it is currently in compliance with all material representations and certifications made with respect to the NFA Bonds and has made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law.

None of the Developer, Forestar Group, DR Horton, nor any affiliates of the Developer or DR Horton are responsible for, liable for, or have made any commitment for payment of the Bonds or other obligations of the District. Neither the Developer, Forestar Group, DR Horton, nor any affiliates of the Developer or DR Horton have any legal commitment to the District or the holders of the Bonds to continue development of the land within the District, and the Developer may sell or otherwise dispose of property within the District, or any assets, at any time. See "RISK FACTORS—Developer/Property Owners Obligation to the District" and "—Dependence on Principal Taxpayers."

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years only. None of the Board members reside within the District, however, each of the Board members own land within the District subject to a note and deed of trust in favor of the Developer. The current members and officers of the Board along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Katie Lee-Faulk	President	May 2030
Monica K. Davison	Vice President	May 2030
Lady E. Finley	Assistant Vice President	May 2028
Tammie Crenek	Secretary	May 2028
Cristi McKee	Assistant Secretary	May 2028

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

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

Auditor: The financial statements of the District as of January 31, 2026, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's audited financial statements for the year ended January 31, 2026.

Engineer: The District's consulting engineer is GFT Infrastructure, Inc.

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

Tax Assessor/Collector: The District has appointed an independent tax assessor/collector to perform the tax collection function. Assessments of the Southwest, Inc. (the "Tax Assessor/Collector") has been employed by the District to serve in this capacity.

Bookkeeper: The District has contracted with Myrtle Cruz, Inc. for bookkeeping services (the "Bookkeeper").

THE SYSTEM

Regulation

Construction and operation of the water, wastewater and storm drainage system serving the District (the "System") as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Construction of water, wastewater and storm drainage facilities is subject to the regulatory authority of the City and Galveston County. The TCEQ also exercises regulatory jurisdiction over portions of the System.

Water Supply and Wastewater Treatment

Permanent water supply and wastewater treatment for the District are provided by the City pursuant to the Utility Agreement. The District pays impact fees to the City and is then allocated equivalent single-family connections for water supply and wastewater treatment, respectively. The District has been allocated 2,144 equivalent single-family connections from the City to date for water supply and wastewater treatment. The District currently serves 555 equivalent single-family connections including 483 completed homes and 72 homes under construction or in the name of a builder. Water supply and wastewater treatment capacity for future development may require additional water supply and wastewater treatment capacity allocations by the City as provided in the Utility Agreement. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY."

Water and wastewater revenues derived from the collection of charges for water and sewer services are paid directly to the City by users.

Water Distribution, Wastewater Collection and Storm Drainage Facilities

The District has constructed water distribution, wastewater collection, storm drainage and paving facilities to serve 674 single-family residential lots and approximately 8 acres of parks and recreational facilities. See "THE DISTRICT—Status of Development."

Ownership and Operations

Pursuant to a Joint Facilities Agreement, the District (or the Developer on behalf of the District) finances and constructs the System on behalf of the District and Galveston County Municipal Utility District No. 35, with each district paying its pro-rata share of each joint facility constructed. Thereafter, the District conveys the components of the System to the City upon completion, subject to the District's capacity rights and the Developer's reimbursement rights pursuant to the Utility Agreement. The System is owned, maintained, and operated by the City. The City charges and collects the fees associated with the System. The District receives no revenues from the operation of the System; funds for the administration of the District are available from maintenance tax revenue. See "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY."

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 no assurance that homes built in such area will not be flooded. The District's drainage system has been designed and constructed to all current standards.

Further, the current Flood Insurance Rate Map associated with the District indicates that all of the developable land within the District is located within the effective 100-year flood plain. All of the development on the developable land within the District, including the development encompassing Westland Ranch, Sections One through Nine, included raising the elevation of land with the application of fill dirt to an elevation to remove the developed lots in the sections from the 100-year flood plain designation. The District has obtained Letters of Map Revision ("LOMR") from FEMA stating all of the developable land in the District has been removed from the flood plain. See "RISK FACTORS—Extreme Weather Events" and "—Specific Flood Type Risks."

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area and potentially leaving less developable property within the District. The application of such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

THE ROAD SYSTEM

The roads that serve the residents of the District (the "Road System") provide access to the major thoroughfares within Westland Ranch and the surrounding area. A portion of the proceeds from the Outstanding Bonds (as defined herein) and the Bonds have been or will be expended to finance a portion of the Road System. See "USE AND DISTRIBUTION OF BOND PROCEEDS." Upon completion, the Road System will be accepted by Galveston County for operation and maintenance in accordance with the procedures of Galveston County. The District will not operate or maintain the Road System. See "THE BONDS—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Taxable Assessed Valuation	$187,440,981	(a)
Estimated Taxable Assessed Valuation as of May 1, 2026	$217,563,464	(b)
Gross Direct Debt Outstanding	$29,365,000	(c)
Estimated Overlapping Debt	6,951,381	(d)
Gross Direct Debt and Estimated Overlapping Debt	$36,316,381	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	15.67%	
Estimated Taxable Assessed Valuation as of May 1, 2026	13.50%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	19.37%	
Estimated Taxable Assessed Valuation as of May 1, 2026	16.69%	
Debt Service Funds Available:		
Water, Wastewater and Drainage Debt Service Fund Balance as of August 3, 2026	$1,190,080	(e)
Road Debt Service Fund Balance as of August 3, 2026	364,895	(e)
Capitalized Interest from Bond Proceeds (Twelve (12) Months)	361,500	(f)
Total Debt Service Funds Available	$1,916,475	(e)
Operating Funds Available as of August 3, 2026	$347,440	
Water, Wastewater and Drainage Capital Projects Funds Available as of August 3, 2026	$ 2,108	
Road Capital Projects Funds Available as of August 3, 2026	$ 46,790	(g)

(a) The Appraisal District has certified $176,739,185 of taxable value and an additional $10,701,796 of taxable value remains uncertified and is subject to review and downward adjustment. The 2026 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."

(b) Provided by the Appraisal District for information purposes only. Such amount reflects an estimate of the taxable assessed value within the District on May 1, 2026. Increases in value that occur between January 1, 2026 and May 1, 2026 will be certified as of January 1, 2027. No taxes will be levied upon such amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."

(c) Includes the Bonds and the Outstanding Bonds. See "—Outstanding Bonds" herein.

(d) See "—Estimated Overlapping Debt" herein.

(e) Funds in the Water, Wastewater and Drainage Debt Service Fund are available to pay debt service on the bonds issued for water, sewer and drainage facilities and are not available to pay debt service on bonds issued for road facilities (including the Bonds). Funds in the Road Debt Service Fund are available to pay debt service on the bonds issued for road facilities, (including the Bonds) and are not available to pay debt service on the bonds for water, wastewater and drainage facilities. See "THE BONDS—Funds."

(f) The District will capitalize twelve (12) months of interest from proceeds of the Bonds. The amount above is based on an estimated interest rate of 5.00% per annum. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

(g) The District will contribute $40,000 of surplus Road Capital Projects Funds towards the issuance of the Bonds. See "USE AND DISTRIBUTION OF BONDS PROCEEDS."

Investments of the District

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

Outstanding Bonds

The District has previously issued $17,705,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities in three series and $4,715,000 principal amount of unlimited tax bonds for road facilities in one series, of which $22,135,000 principal amount will remain outstanding as of September 2, 2026 (the "Outstanding Bonds"). The table below shows the original principal amount of the Outstanding Bonds and the amount of the Outstanding Bonds.

Series		Original Principal Amount	Outstanding Bonds
2024		$ 7,270,000	$ 7,115,000
2024	(a)	4,715,000	4,585,000
2025		8,525,000	8,525,000
2026		1,910,000	1,910,000
Total		$ 22,420,000	$ 22,135,000

(a) Unlimited tax road bonds.

General Operating Fund

The water and wastewater system are owned and operated by the City, and no water and sewer revenue is received by the District nor is the District responsible for operation, repair or maintenance of the water and wastewater system.

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ended January 31, 2023 through January 31, 2026 and an unaudited summary for the six-month period ended July 31, 2026 provided by the Bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

		Fiscal Year Ended January 31			
	2/1/2026 to 7/31/2026 (Unaudited)	2026	2025	2024	2023 (a)
Revenues:					
Property Taxes	$ 442,179	$ 308,387	$ 82,026	$ 15,730	$ 15,707
Miscellaneous	-	-	-	40	10
Investment Revenues	7,299	6,267	21	325	256
Total Revenues	$ 449,478	$ 314,654	$ 82,047	$ 16,095	$ 15,973
Expenditures:					
Professional Fees	$ 107,012	$ 119,542	$ 178,851	$ 119,547	$ 117,535
Contracted Services	7,625	15,300	10,550	8,406	11,726
Repairs and Maintenance	147,948	235,465	206,044	187,254	42,647
Administrative	10,968	21,845	30,160	14,913	10,872
Other Expenditures	-	-	349	150	487
Capital Outlay	-	7,668	-	-	322,056
Total Expenditures	$ 273,553	$ 399,820	$ 425,954	$ 330,270	$ 505,323
Net Revenues	$ 175,925	$ (85,166)	$ (343,907)	$ (314,175)	$ (489,350)
Other Financing Sources (Uses)					
Developer Advances	$ -	$ -	$ 625,000	$ 137,500	$ 509,556
Internal Transfers	-	32,100	(10,628)	-	-
Total Other Financing Sources (Uses)	$ -	$ 32,100	$ 614,372	$ 137,500	$ 509,556
General Operating Fund Balance (Beginning of Year)	$ 58,438	$ 111,504	$ (158,961)	$ 17,714	$ (2,492)
General Operating Fund Balance (End of Year)	$ 234,363	$ 58,438	$ 111,504	$ (158,961)	$ 17,714

(a) Initial audit.

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds and estimated debt service on the Bonds at an estimated interest rate per annum of 5.00%. The schedule below does not reflect that twelve (12) months of interest was capitalized from the Series 2026 Bonds issued in May 2026 and twelve (12) months of interest will be capitalized from proceeds of the Bonds to pay debt service on the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

	Outstanding Bonds	Plus: Debt Service on the Bonds			Total
Year	Debt Service	Principal	Interest	Total	Debt Service
2027	$ 1,590,318.75	$ -	$ 311,291.67	$ 311,291.67	$ 1,901,610.42
2028	1,579,243.75	160,000	361,500.00	521,500.00	2,100,743.75
2029	1,561,543.75	170,000	353,500.00	523,500.00	2,085,043.75
2030	1,547,543.75	180,000	345,000.00	525,000.00	2,072,543.75
2031	1,536,918.75	190,000	336,000.00	526,000.00	2,062,918.75
2032	1,534,343.75	200,000	326,500.00	526,500.00	2,060,843.75
2033	1,529,737.50	205,000	316,500.00	521,500.00	2,051,237.50
2034	1,526,737.50	220,000	306,250.00	526,250.00	2,052,987.50
2035	1,524,512.50	230,000	295,250.00	525,250.00	2,049,762.50
2036	1,522,512.50	240,000	283,750.00	523,750.00	2,046,262.50
2037	1,519,312.50	250,000	271,750.00	521,750.00	2,041,062.50
2038	1,519,525.00	265,000	259,250.00	524,250.00	2,043,775.00
2039	1,517,912.50	280,000	246,000.00	526,000.00	2,043,912.50
2040	1,519,418.75	290,000	232,000.00	522,000.00	2,041,418.75
2041	1,518,818.75	305,000	217,500.00	522,500.00	2,041,318.75
2042	1,525,825.00	320,000	202,250.00	522,250.00	2,048,075.00
2043	1,525,193.75	340,000	186,250.00	526,250.00	2,051,443.75
2044	1,527,606.25	355,000	169,250.00	524,250.00	2,051,856.25
2045	1,527,825.00	370,000	151,500.00	521,500.00	2,049,325.00
2046	1,525,881.25	390,000	133,000.00	523,000.00	2,048,881.25
2047	1,526,743.75	410,000	113,500.00	523,500.00	2,050,243.75
2048	1,524,562.50	430,000	93,000.00	523,000.00	2,047,562.50
2049	1,529,912.50	455,000	71,500.00	526,500.00	2,056,412.50
2050	786,000.00	475,000	48,750.00	523,750.00	1,309,750.00
2051	-	500,000	25,000.00	525,000.00	525,000.00
Total	$ 36,047,950.00	$ 7,230,000	$ 5,656,041.67	$ 12,886,041.67	$ 48,933,991.67

Average Annual Debt Service Requirements (2027-2051) $1,957,360
Maximum Annual Debt Service Requirement (2028) $2,100,744

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds		As of	Overlapping Percent	Overlapping Amount
Galveston County	$ 126,960,000		7/31/2026	0.340%	$ 431,664
Clear Creek Independent School District	1,093,530,000		7/31/2026	0.400%	4,374,120
City of League City	228,255,000		7/31/2026	0.940%	2,145,597
Total Estimated Overlapping Debt					$ 6,951,381
The District	29,365,000	(a)	9/2/2026	100.00%	29,365,000
Total Direct and Estimated Overlapping Debt					$ 36,316,381
Ratios of Total Direct and Estimated Overlapping Debt to:					
2026 Taxable Assessed Valuation					19.37%
Estimated Taxable Assessed Valuation as of May 1, 2026					16.69%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2026 tax year by all overlapping taxing jurisdictions and the District's anticipated 2026 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate per $100 of Taxable Assessed Valuation
Galveston County (Includes Road and Flood)	$ 0.324068
Clear Creek Independent School District (a)	0.969000
City of League City	0.356505
Galveston County Consolidated Drainage District	0.127237
Total Overlapping Tax Rate	$ 1.77681
The District (b)	1.15000
Total Tax Rate	$ 2.92681

(a) Represents the 2025 tax rate.
(b) The District authorized publication of its intent to levy a total tax rate of $1.15 per $100 of taxable assessed valuation, of which $0.85 per $100 of taxable assessed valuation is allocated to debt service and $0.30 per $100 of taxable assessed valuation is allocated to maintenance and operations. Such tax rate is expected to be adopted in September 2026 and is subject to change prior to official levy. See "TAX DATA—Historical Tax Rate."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Outstanding Bonds. See "—Historical Tax Rate" below, "—Tax Roll Information" herein, "TAXING PROCEDURES" and "RISK FACTORS—Possible Impact on District Tax Rates."

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted May 2, 2020, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed $1.50 per $100 of taxable assessed valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and the Outstanding Bonds. See "—Debt Service Tax" above.

Historical Tax Rate

	2026 (a)	2025	2024	2023	2022
Debt Service Tax	$ 0.85	$ 0.70	$ 0.60	$ -	$ -
Maintenance and Operations Tax	0.30	0.45	0.55	1.15	1.00
Total District Tax Rate	$ 1.15	$ 1.15	$ 1.15	$ 1.15	$ 1.00

(a) The District authorized publication of its intent to levy a total tax rate of $1.15 per $100 of taxable assessed valuation, of which $0.85 per $100 of taxable assessed valuation is allocated to debt service and $0.30 per $100 of taxable assessed valuation is allocated to maintenance and operations. Such tax rate is expected to be adopted in September 2026 and is subject to change prior to official levy.

Tax Exemptions

For the 2026 tax year, the District has not adopted any tax exemptions for property located within the District.

Historical Tax Collections

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

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections as of July 31, 2026 (c)	
				Amount	Percent
2021	$ 1,570,720	$ 1.00	$ 15,707	$ 15,707	100.00%
2022	1,570,720	1.00	15,707	15,707	100.00%
2023	7,131,586	1.15	82,013	82,013	100.00%
2024	56,176,723	1.15	646,032	643,153	99.55%
2025	124,067,094	1.15	1,426,772	1,419,297	99.48%

(a) Represents taxable assessed value as certified by the Appraisal District.
(b) Represents actual tax levy, including any adjustments by the Appraisal District and including rollback taxes as of the date hereof.
(c) Unaudited collections.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2022 through 2026 Taxable Assessed Valuations. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Accurate breakdowns related to the uncertified portion ($10,701,796) of the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of May 1, 2026 are not available as of the date hereof.

	2026 Taxable Assessed Valuation	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation
Land	$ 55,140,009	$ 55,315,784	$ 35,747,685	$ 7,405,710	$ 1,823,270
Improvements	127,179,832	75,828,257	27,081,463	-	-
Personal Property	6,231,900	774,440	88,410	-	-
Exemptions	(11,812,556)	(7,851,387)	(6,740,835)	(274,124)	(252,550)
Certified Value	$ 176,739,185	$ 124,067,094	$ 56,176,723	$ 7,131,586	$ 1,570,720
Uncertified Value	10,701,796	-	-	-	-
Total	$ 187,440,981	$ 124,067,094	$ 56,176,723	$ 7,131,586	$ 1,570,720

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed value of such property and the principal taxpayer total as a percentage of the certified portion ($176,739,185) of the 2026 Taxable Assessed Valuation of $187,440,981, which represents ownership as of January 1, 2026. Accurate principal taxpayer lists related to the uncertified portion ($10,701,796) of the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of May 1, 2026 are not available as of the date hereof.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
Centric Fiber	$ 5,617,100	3.18%
Brightland Homes LTD (a)	4,903,604	2.77%
DR Horton - Texas LTD (a)(b)	4,354,632	2.46%
Ashton Houston Residential LLC (a)	3,984,874	2.25%
Chesmar Homes LLC (a)	3,452,775	1.95%
Forestar (USA) Real Estate Group Inc (b)	3,212,573	1.82%
K Hovnanian of Houston II LLC (a)	3,042,660	1.72%
FW2022 Land Investments LTD (a)(c)	1,000,024	0.57%
Individual	668,120	0.38%
Individual	652,870	0.37%
Total	$ 30,889,232	17.47%

(a) See "THE DISTRICT—Homebuilding and Lot Sales Contracts."
(b) See "THE DEVELOPER" and "RISK FACTORS—Dependence on Principal Taxpayers."
(c) DR Horton contracted with FW2022 Land Investments LTD, a domestic limited partnership, a special purpose entity formed by DR Horton for the purpose of purchasing the vacant developed lots and selling them back to DR Horton as needed for homebuilding.

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2026 Taxable Assessed Valuation of $187,440,981 ($176,739,185 of certified value and $10,701,796 of uncertified value) or the Estimated Taxable Assessed Valuation as of May 1, 2026 of $217,563,464. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements" and "RISK FACTORS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2051)	$1,957,360
$1.10 Tax Rate on the 2026 Taxable Assessed Valuation	$1,958,758
$0.95 Tax Rate on the Estimated Taxable Assessed Valuation as of May 1, 2026	$1,963,510
Maximum Annual Debt Service Requirement (2028)	$2,100,744
$1.18 Tax Rate on the 2026 Taxable Assessed Valuation	$2,101,213
$1.02 Tax Rate on the Estimated Taxable Assessed Valuation as of May 1, 2026	$2,108,190

No representation or suggestion is made that the uncertified portion ($10,701,796) of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of May 1, 2026, provided by the Appraisal District for the District, will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. See "TAXING PROCEDURES."

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond 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. See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, and mobile homes, are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; most individually owned automobiles; and intangible personal property. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax-supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans, or certain surviving dependents of disabled veterans if requested, but only to the maximum extent of $5,000 to $12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability

rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption. See "TAX DATA."

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. 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.

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

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.

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

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

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

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Texas 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 is made by the Board of Directors on an annual basis. The District has been designated as a "Developing District" for tax year 2026. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described 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 or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "RISK FACTORS—General" and "—Tax Collections Limitations and Foreclosure Remedies."

RISK FACTORS

General

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

Undeveloped Acreage and Vacant Lots

There are approximately 99 developable acres of land within the District that have not been fully provided with water, wastewater and drainage facilities necessary to the construction of new development and 119 single-family residential lots remain vacant as of September 1, 2026. Failure of the Developer to develop the developable land or of builders to construct homes or taxable improvements on the developed lots could restrict the rate of growth of taxable values in the District. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation as to when or if development of the undeveloped acreage will occur or that the lot sales and building program will be successful. See "THE DISTRICT—Land Use" and "—Status of Development."

Developer/Property Owners Obligation to the District

There are no commitments from or obligations of the Developer or any other landowner to the District to proceed at any particular rate or according to any specified plan with the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed tracts of land could restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds, continued development of taxable property within the District will increase or maintain its taxable value.

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 Developer 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 Developer or homebuilders.

Economic Factors and Interest Rates

The majority of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developer for sale to homebuilders and homebuyers for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Houston-Galveston region and the national economy and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "—Credit Markets and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots 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 mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which the 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, 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 30 miles from the central downtown business district of the City of Houston, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the greater Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the greater Houston metropolitan area and the nation could adversely affect development in the District and restrain the growth of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 30 miles from downtown Houston, could be affected by competition from other residential developments located in the southern portion of the greater Houston metropolitan area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods closer to downtown Houston. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developer in the sale of developed lots and the construction of single-family residential houses within the District by homebuilders is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developer and its affiliates will be implemented or, if implemented, will be successful.

Possible Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2026 Taxable Assessed Valuation is $187,440,981 ($176,739,185 of certified value and $10,701,796 of uncertified value). After issuance of the Bonds, the maximum debt service requirement will be $2,100,744 (2028), and the average annual debt service requirement will be $1,957,360 (2027-2051, inclusive). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $1.18 and $1.10 per $100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of May 1, 2026 is $217,563,464, which reduces the above calculations to $1.02 and $0.95 per $100 of taxable assessed valuation, respectively.

While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners. No representation or suggestion is made that the uncertified portion of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of May 1, 2026 will be the amounts ultimately certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of their attainment. Property within the District also is subject to taxes levied by other political subdivisions. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes" and "TAX DATA—Tax Adequacy for Debt Service."

Potential Effects of Oil Price Volatility 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 or homebuilding activity within the District. The District cannot predict the impact that negative conditions in the oil and gas industry could have on property values in the District.

Extreme Weather Events

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

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

Specific Flood Type Risks

The District may be subject to the following flood type 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 man-made drainage systems (canals or channels) downstream.

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

Tax Collections Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond 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 sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond 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.

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. After reimbursements are made with proceeds from the Bonds, the District will continue to owe the Developer approximately $26,350,000 plus interest for advances to construct the currently existing water, wastewater, drainage, and road facilities. The District expects to issue additional bonds in order to reimburse the Developer for their outstanding obligations and the cost of additional water, wastewater and road facilities constructed within the undeveloped portion of the District. The District's voters have authorized a total of $92,100,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities and a total of $92,100,000 principal amount of unlimited tax bonds for the further purpose of refunding such bonds, a total of $55,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities and $55,000,000 principal amount of unlimited tax bonds for the further purpose of refunding such bonds, and a total of $18,290,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities and $18,290,000 principal amount of unlimited tax bonds for the further purpose of refunding such bonds.

After the issuance of the Bonds, $43,055,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of purchasing and constructing a roadway system, $74,395,000 principal amount of unlimited tax bonds will remain authorized but unissued for the purpose of acquiring or constructing water, wastewater and drainage facilities and all of the unlimited tax bonds authorized for refunding of such water, wastewater and drainage facilities bonds and roadway system bonds and for acquiring or constructing parks and recreational facilities and for refunding of such bonds will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

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

Environmental Regulations

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

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

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

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

The HGB Area is currently designated as a "severe" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2027. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "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. In order to maintain MS4 Permit compliance, the District is partnering with the City to participate in the City's program to develop, implement, and maintain the required plan (the "MS4 Permit Plan") as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. While the District does not have its own independent MS4 Permit Plan, the District has taken all necessary steps required by the City to be included in the City's MS4 Permit Plan in order to obtain MS4 Permit compliance with the TCEQ. If at any time in the future the District were required to maintain independent coverage under the MS4 Permit, it is anticipated that the District could incur substantial additional costs to develop and implement its own program necessary to comply with the MS4 Permit.

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

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

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

Marketability of the Bonds

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

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.

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches is limited.

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 retroactive to the date of original issuance. See "TAX MATTERS."

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the "Policy") to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is issued, investors should be aware of the following investment considerations.

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

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

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas, payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under "THE BONDS," "UTILITY AGREEMENT BETWEEN THE DISTRICT AND THE CITY OF LEAGUE CITY," "THE DISTRICT—General," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" 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 nor has it conducted an investigation of the affairs of the District or the Developer for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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 Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Preliminary OFFICIAL STATEMENT, as it may be supplemented or amended through the date of sale.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and 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.

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 will designate 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 2026 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 2026.

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 Exemption," "—Additional Federal Income Tax Considerations—*Collateral Tax Consequences*" and "—Additional Federal Income Tax Considerations—*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 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.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

The District has not applied for an underlying investment grade rating on the Bonds nor is it expected that the District would have been successful if such application had been made. Applications have been made to municipal bond insurance companies for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option and expense of the Underwriter. Any rating fees associated with the insurance will be the responsibility of the Underwriter. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

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

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

Auditor: The financial statements of the District as of January 31, 2026, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's audited financial statements for the year ended January 31, 2026.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—General Operating Statement" has been provided by Myrtle Cruz, Inc. and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT," except for "Estimated Overlapping Debt and Overlapping Taxes," "TAX DATA," and in APPENDIX A (Independent Auditor's Report and Financial Statements of the District). The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending in or after 2027. Any financial statements provided by the District shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable year to the MSRB within such six-month period and audited financial statements when the audit report becomes available.

The District's current fiscal year end is January 31. Accordingly, it must provide updated information by July 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 specified 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 an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, 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 term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any 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, operational data, or financial statements in accordance with its agreement described under "—Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access ("EMMA") internet portal at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond 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 Underwriter 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

Since its first issuance of Bonds in 2024, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12, except as described below:

The District filed an Annual Report on August 1, 2025, for the fiscal year ended January 31, 2025, with the MSRB through the EMMA internet portal. Due to an administrative oversight, the Annual Report was filed late and due on July 31, 2025.

Additionally, the District timely filed an Annual Report on July 20, 2026, for the fiscal year ended January 31, 2026, with the MSRB through the EMMA internet portal. Due to an administrative error, Exhibit A-1, the Official Statement from the District's Unlimited Tax Bonds, Series 2025 was omitted. The filing was corrected on August 21, 2026.

The District has adopted procedures to ensure future disclosures are prepared and submitted in a timely manner.

MISCELLANEOUS

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

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of July 2026)

Galveston County Municipal
Utility District No. 36
Maple Leaf Dr.
N

PHOTOGRAPHS OF THE DISTRICT
(As of July 2026)

3807
SOLD
PRIVATE PROPERTY
NO TRESPASSING

ASHTON WOODS

DRYline

3010

APPENDIX A

Independent Auditor's Report and Financial Statements of the District
for the fiscal year ended January 31, 2026

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 36

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

January 31, 2026

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McGRATH & CO., PLLC
Certified Public Accountants
2950 North Loop West, Suite 810
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Galveston County Municipal Utility District No. 36
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. 36 (the "District"), as of and for the year ended January 31, 2026, 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. 36, as of January 31, 2026, 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

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.

Houston, Texas
May 4, 2026

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Galveston County Municipal Utility District No. 36 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended January 31, 2026. 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.

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 January 31, 2026, was negative $34,357,214. The District's net position is negative because the District incurs debt to construct certain facilities which it conveys to the City of League City. A comparative summary of the District's overall financial position, as of January 31, 2026 and 2025, is as follows:

	2026	2025
Current and other assets	$ 2,782,230	$ 1,934,720
Capital assets	17,730,950	16,296,333
Total assets	20,513,180	18,231,053
Current liabilities	696,382	233,577
Long-term liabilities	52,747,020	44,065,144
Total liabilities	53,443,402	44,298,721
Total deferred inflows of resources	1,426,992	637,958
Net position		
Net investment in capital assets	(2,650,672)	(1,615,311)
Restricted	716,988	614,638
Unrestricted	(32,423,530)	(25,704,953)
Total net position	$ (34,357,214)	$ (26,705,626)

The total net position of the District decreased during the current fiscal year by $7,651,588. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2026	2025
Revenues		
Property taxes, penalties and interest	$ 649,961	$ 82,400
Other	59,888	8,781
Total revenues	709,849	91,181
Expenses		
Operating and administrative	448,537	499,953
Debt interest and fees	691,277	146,558
Developer interest	1,257,432	1,284,270
Debt issuance costs	688,293	999,395
Depreciation and amortization	161,115	125,447
Total expenses	3,246,654	3,055,623
Change in net position before other item	(2,536,805)	(2,964,442)
Other item		
Transfers to other governments	(5,114,783)	(17,659,396)
Change in net position	(7,651,588)	(20,623,838)
Net position, beginning of year	(26,705,626)	(6,081,788)
Net position, end of year	$ (34,357,214)	$ (26,705,626)

Financial Analysis of the District's Funds

The District's combined fund balances, as of January 31, 2026, were $1,319,771, which consists of $58,438 in the General Fund, $1,093,448 in the Debt Service Fund and $167,885 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of January 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 641,488	$ 488,315
Total liabilities	$ 24,117	$ 71,701
Total deferred inflows	558,933	305,110
Total fund balance	58,438	111,504
Total liabilities, deferred inflows and fund balance	$ 641,488	$ 488,315

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

	2026	2025
Total revenues	$ 314,654	$ 82,047
Total expenditures	(399,820)	(425,954)
Revenues under expenditures	(85,166)	(343,907)
Other changes in fund balance	32,100	614,372
Net change in fund balance	$ (53,066)	$ 270,465

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 are dependent upon assessed values in the District and the maintenance tax rate set by the District. In order to be recognized as revenues, property taxes must be measurable and available to finance expenditures (i.e., collected within sixty days of fiscal year end). Additionally, property tax revenues should be recognized in the year in which they are intended to finance. As a result of these recognition rules, the District's 2024 levy was recognized as revenues in the 2026 fiscal year (to the extent these amounts were collected). While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of January 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 2,359,848	$ 1,104,329
Total liabilities	$ 397,202	$ 10,286
Total deferred inflows	869,198	332,848
Total fund balance	1,093,448	761,195
Total liabilities, deferred inflows and fund balance	$ 2,359,848	$ 1,104,329

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

	2026	2025
Total revenues	$ 383,492	$ 4,044
Total expenditures	(476,457)	(11,539)
Revenues under expenditures	(92,965)	(7,495)
Other changes in fund balance	425,218	768,690
Net change in fund balance	$ 332,253	$ 761,195

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

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of January 31, 2026 and 2025, is as follows:

	2026	2025
Total assets	$ 168,173	$ 342,076
Total liabilities	$ 288	$ 5,033
Total fund balance	167,885	337,043
Total liabilities and fund balance	$ 168,173	$ 342,076

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

	2026	2025
Total revenues	$ 10,564	$ 5,090
Total expenditures	(8,212,388)	(10,550,508)
Revenues under expenditures	(8,201,824)	(10,545,418)
Other changes in fund balance	8,032,666	10,882,461
Net change in fund balance	$ (169,158)	$ 337,043

The District has had considerable capital asset activity in the last two fiscal years, which was financed with proceeds from the issuance of its Series 2025 Unlimited Tax Bonds in the current fiscal year and the sale of its Series 2024 Unlimited Tax Bonds and Series 2024 Unlimited Tax Road Bonds in the prior fiscal year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $279,916 less 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 a financing agreement with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at January 31, 2026 and 2025, are summarized as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 10,925,059	$ 10,925,059
Capital assets being depreciated/amortized		
Stormwater drainage facilities	6,811,657	5,238,929
Impact fees	329,724	306,720
	7,141,381	5,545,649
Less accumulated depreciation/amortization		
Stormwater drainage facilities	(307,839)	(156,469)
Impact fees	(27,651)	(17,906)
	(335,490)	(174,375)
Depreciable capital assets, net	6,805,891	5,371,274
Capital assets, net	$ 17,730,950	$ 16,296,333

Capital asset additions during the current fiscal year include stormwater drainage facilities to serve Westland Ranch Sections 5, 8 and 9.

The District and the City of League City (the "City") have entered into an agreement which obligates the District to construct water, sanitary sewer, and road facilities to serve the District and, when completed, to convey title to the facilities to the City. Stormwater detention facilities and certain other capital assets are retained by the District. For the year ended January 31, 2026, capital assets in the amount of $5,114,783 have been completed and recorded as transfers to other governments in the government-wide statements. See Note 10 for additional information.

Long-Term Debt and Related Liabilities

As of January 31, 2026, the District owes approximately $32,522,020 to the developer for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of $1,660,000 for a project under construction by the developer. As noted, the District will owe its developer for this project 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 January 31, 2026 and 2025, the District had total bonded debt outstanding as shown below:

Series	2026	2025
2024	$ 7,270,000	$ 7,270,000
2024 Road	4,715,000	4,715,000
2025	8,525,000	
	$ 20,510,000	$ 11,985,000

During the current fiscal year, the District issued $8,525,000 in unlimited tax bonds. At January 31, 2026, the District had $76,305,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $92,100,000 for the refunding of such bonds; $18,290,000 for parks and recreational facilities and $18,290,000 for the refunding of such bonds; and $50,285,000 for road improvements and $55,000,000 for the refunding of such bonds.

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 fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2026 Actual	2027 Budget
Total revenues	$ 314,654	$ 555,800
Total expenditures	(399,820)	(265,350)
Revenues over (under) expenditures	(85,166)	290,450
Other changes in fund balance	32,100	
Net change in fund balance	(53,066)	290,450
Beginning fund balance	111,504	58,438
Ending fund balance	$ 58,438	$ 348,888

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Basic Financial Statements

Galveston County Municipal Utility District No. 36
Statement of Net Position and Governmental Funds Balance Sheet
January 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 23,787	$ 1,096,099	$ 27,941	$ 1,147,827	$ -	$ 1,147,827
Investments	164,941	1,166,992	140,232	1,472,165		1,472,165
Taxes receivable	62,363	96,757		159,120		159,120
Interfund receivables	387,279			387,279	(387,279)	
Prepaid items	3,118			3,118		3,118
Capital assets not being depreciated					10,925,059	10,925,059
Capital assets, net					6,805,891	6,805,891
Total Assets	$ 641,488	$ 2,359,848	$ 168,173	$ 3,169,509	17,343,671	20,513,180
Liabilities						
Accounts payable	$ 24,117	$ -	$ 288	$ 24,405		24,405
Other payables		9,923		9,923		9,923
Interfund payables		387,279		387,279	(387,279)	
Accrued interest payable					377,054	377,054
Due to developer					32,522,020	32,522,020
Long-term debt						
Due within one year					285,000	285,000
Due after one year					20,225,000	20,225,000
Total Liabilities	24,117	397,202	288	421,607	53,021,795	53,443,402
Deferred Inflows of Resources						
Deferred property taxes	558,933	869,198		1,428,131	(1,139)	1,426,992
Fund Balances/Net Position						
Fund Balances						
Nonspendable	3,118			3,118	(3,118)	
Restricted		1,093,448	167,885	1,261,333	(1,261,333)	
Unassigned	55,320			55,320	(55,320)	
Total Fund Balances	58,438	1,093,448	167,885	1,319,771	(1,319,771)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 641,488	$ 2,359,848	$ 168,173	$ 3,169,509		
Net Position						
Net investment in capital assets					(2,650,672)	(2,650,672)
Restricted for debt service					716,988	716,988
Unrestricted					(32,423,530)	(32,423,530)
Total Net Position					$ (34,357,214)	$ (34,357,214)

See notes to basic financial statements.

Galveston County Municipal Utility District No. 36
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended January 31, 2026

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 308,387	$ 336,516	$ -	$ 644,903	$ 1,139	$ 646,042
Penalties and interest		3,919		3,919		3,919
Miscellaneous		4,729		4,729		4,729
Investment earnings	6,267	38,328	10,564	55,159		55,159
Total Revenues	314,654	383,492	10,564	708,710	1,139	709,849
Expenditures/Expenses						
Operating and administrative						
Professional fees	119,542		40,073	159,615		159,615
Contracted services	15,300	10,140		25,440		25,440
Repairs and maintenance	235,465			235,465		235,465
Administrative	21,845	5,537	635	28,017		28,017
Capital outlay	7,668		6,225,955	6,233,623	(6,233,623)	
Debt service						
Interest and fees		460,780		460,780	230,497	691,277
Developer interest			1,257,432	1,257,432		1,257,432
Debt issuance costs			688,293	688,293		688,293
Depreciation and amortization					161,115	161,115
Total Expenditures/Expenses	399,820	476,457	8,212,388	9,088,665	(5,842,011)	3,246,654
Revenues Under Expenditures/Expenses	(85,166)	(92,965)	(8,201,824)	(8,379,955)	5,843,150	(2,536,805)
Other Financing Sources (Uses)						
Proceeds from sale of bonds		425,218	8,099,782	8,525,000	(8,525,000)	
Repayment of operating advances			(35,016)	(35,016)	35,016	
Internal transfers	32,100		(32,100)			
Other Item						
Transfers to other governments					(5,114,783)	(5,114,783)
Net Change in Fund Balances	(53,066)	332,253	(169,158)	110,029	(110,029)	
Change in Net Position					(7,651,588)	(7,651,588)
Fund Balance/Net Position						
Beginning of the year	111,504	761,195	337,043	1,209,742	(27,915,368)	(26,705,626)
End of the year	$ 58,438	$ 1,093,448	$ 167,885	$ 1,319,771	$ (35,676,985)	$ (34,357,214)

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. 36 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created, and established pursuant to an order of the Texas Commission on Environmental Quality, dated August 3, 2007, pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on January 6, 2020. The District issued its first bonds on September 23, 2024.

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

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The 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*.

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. During the current fiscal year, financial resources also included capitalized interest from the sale of bonds. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer, drainage and road facilities.

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

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the 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.

Use of Restricted Resources

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

Prepaid Items

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At January 31, 2026, 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 eliminated in the government-wide 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 that exceeds the capitalization threshold for the asset class 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 that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is $50,000. The threshold for subscription-based information technology arrangements (SBITAs) is $100,000.

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, which primarily consist of drainage facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

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

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

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. Additionally, collections of the 2025 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2025 property tax levy, which was levied to finance the 2027 fiscal year.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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; the value of capital assets transferred to the City of League City 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.

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		$ 1,319,771
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 18,066,440	
Less accumulated depreciation/amortization	(335,490)	
		17,730,950
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:		
Accrued interest payable	(377,054)	
Due to developer	(32,522,020)	
Bonds payable	(20,510,000)	
		(53,409,074)
Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		1,139
Total net position - governmental activities		$ (34,357,214)

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		$ 110,029
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference		1,139
Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities. Differences during the current fiscal year are for the following:		
Capital outlays	$ 6,233,623	
Depreciation/amortization expense	(161,115)	
Transfers to other governments	(5,114,783)	
		957,725
Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Issuance of long-term debt	(8,525,000)	
Repayment of developer advances	35,016	
Interest expense accrual	(230,497)	
		(8,720,481)
Change in net position of governmental activities		$ (7,651,588)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code)

requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

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

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

As of January 31, 2026, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexSTAR	General	$ 164,941		
	Debt Service	1,166,992		
	Capital Projects	140,232		
		$ 1,472,165	AAAm	34 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.

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at January 31, 2026, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 387,279	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.

During the current fiscal year, the Capital Projects Fund transferred $32,100 to the General Fund to reimburse bond application fees paid by the General Fund in the prior fiscal year.

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended January 31, 2026, is as follows:

	2026	2025
Capital assets not being depreciated		
Land and improvements	$ 10,925,059	$ 10,925,059
Capital assets being depreciated/amortized		
Stormwater drainage facilities	6,811,657	5,238,929
Impact fees	329,724	306,720
	7,141,381	5,545,649
Less accumulated depreciation/amortization		
Stormwater drainage facilities	(307,839)	(156,469)
Impact fees	(27,651)	(17,906)
	(335,490)	(174,375)
Depreciable capital assets, net	6,805,891	5,371,274
Capital assets, net	$ 17,730,950	$ 16,296,333

Depreciation/amortization expense for the current fiscal year was $161,115.

Note 6 – Due to Developer

The District has entered into a financing agreement with its developer for the financing of the construction of water, sewer, drainage, and parks and recreational facilities and road improvements. Under the agreement, the developer will construct facilities on behalf of the District. The developer 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 District's developer has also advanced funds to the District for operating expenses.

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

Due to developer, beginning of year	$ 32,080,144
Developer reimbursements	(6,225,955)
Developer funded construction and adjustments	6,702,847
Repayment of operating advances	(35,016)
Due to developer, end of year	$ 32,522,020

In addition, the District will owe the developer approximately $1,660,000 for the construction of utilities and paving facilities to serve Westland Ranch, Section 10. The project will be reported in the government-wide financial statements upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor.

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 20,510,000
Due within one year	$ 285,000

The District's bonds payable at January 31, 2026, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2024	$ 7,270,000	$ 7,270,000	4.00% - 6.50%	September 1, 2026/2049	March 1, September 1	September 1, 2030
2024 Road	4,715,000	4,715,000	4.00% - 6.50%	September 1, 2026/2049	March 1, September 1	September 1, 2031
2025	8,525,000	8,525,000	4.00% - 6.50%	September 1, 2027/2050	March 1, September 1	September 1, 2031
	$ 20,510,000					

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

At January 31, 2026, the District had authorized but unissued bonds in the amount of $76,305,000 for water, sewer and drainage facilities and $92,100,000 for the refunding of such bonds; $18,290,000 for parks and recreational facilities and $18,290,000 for the refunding of such bonds; and $50,285,000 for road improvements and $55,000,000 for the refunding of such bonds.

On September 26, 2025, the District issued its $8,525,000 Series 2025 Unlimited Tax Bonds at a net effective interest rate of 4.984317%. Proceeds of the bonds were used (1) to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; and operating advances, and (2) to pay capitalized interest into the Debt Service Fund.

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

Bonds payable, beginning of year	$ 11,985,000
Bonds issued	8,525,000
Bonds payable, end of year	$ 20,510,000

As of January 31, 2026, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2027	$ 285,000	$ 935,708	$ 1,220,708
2028	480,000	946,713	1,426,713
2029	505,000	915,513	1,420,513
2030	525,000	882,688	1,407,688
2031	550,000	848,563	1,398,563
2032	575,000	812,813	1,387,813
2033	610,000	775,438	1,385,438
2034	640,000	741,038	1,381,038
2035	670,000	707,538	1,377,538
2036	705,000	674,113	1,379,113
2037	735,000	645,913	1,380,913
2038	770,000	616,513	1,386,513
2039	810,000	585,325	1,395,325
2040	850,000	552,113	1,402,113
2041	895,000	516,819	1,411,819
2042	935,000	479,219	1,414,219
2043	985,000	439,225	1,424,225
2044	1,030,000	396,594	1,426,594
2045	1,085,000	352,006	1,437,006
2046	1,135,000	305,023	1,440,023
2047	1,190,000	255,880	1,445,880
2048	1,250,000	204,343	1,454,343
2049	1,315,000	149,562	1,464,562
2050	1,380,000	91,912	1,471,912
2051	600,000	30,000	630,000
	$ 20,510,000	$ 13,860,572	$ 34,370,572

Note 8 – Property Taxes

On May 2, 2020, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value and a rate limited to $0.25 per $100 of assessed value for the maintenance of road facilities. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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

Property taxes are collected based on rates adopted in the year of the levy. The District's 2026 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $1.15 per $100 of assessed value, of which $0.55 was allocated to maintenance and operations and $0.60 was allocated to debt service. The resulting tax levy was $646,032 on the adjusted taxable value of $56,176,723.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2025 levy collections in the amount of $1,269,010 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2025 tax levy of $1,426,992 is reported as deferred inflows. These amounts will be recognized as revenue in the fiscal year ended January 31, 2027.

Property taxes receivable, at January 31, 2026, consisted of the following:

Current year taxes receivable	$ 157,981
Prior years taxes receivable	1,139
Property taxes receivable	$ 159,120

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the City of League City (the "City"), the District transfers certain of its water, sanitary sewer, and road facilities (excluding parks and recreational facilities and detention facilities) to the City (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended January 31, 2026, the District reported transfers to other governments in the amount of $5,114,783 for projects completed and transferred to the City.

Note 10 – Utility Agreement with the City of League City

On April 24, 2018, the District entered into a utility agreement with the City of League City (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems, storm drainage, parks and recreational and road facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system (excluding parks and recreational facilities and storm water facilities) to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 40 years.

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

Note 11 – Risk Management

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

Note 12 – Subsequent Event

On April 6, 2026, the District sold its Series 2026 Unlimited Tax Bonds in the amount of $1,910,000. These bonds are scheduled to close on May 7, 2026. Proceeds from the bonds will be used to reimburse the District's developer for infrastructure improvements in the District and to pay capitalized interest into the Debt Service Fund.

Required Supplementary Information

Galveston County Municipal Utility District No. 36
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended January 31, 2026

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	$ 38,553	$ 550,000	$ 308,387	$ (241,613)
Investment earnings	100	5,800	6,267	467
Total Revenues	38,653	555,800	314,654	(241,146)
Expenditures				
Operating and administrative				
Professional fees	123,600	94,100	119,542	(25,442)
Contracted services	10,300	15,000	15,300	(300)
Repairs and maintenance	195,000	195,000	235,465	(40,465)
Administrative	28,180	24,350	21,845	2,505
Other	1,000	500		500
Capital outlay			7,668	(7,668)
Total Expenditures	358,080	328,950	399,820	(70,870)
Revenues Over (Under) Expenditures	(319,427)	226,850	(85,166)	(312,016)
Other Financing Sources				
Internal transfers			32,100	32,100
Developer advances	320,000			
Net Change in Fund Balance	573	226,850	(53,066)	(279,916)
Fund Balance				
Beginning of the year	111,504	111,504	111,504	
End of the year	$ 112,077	$ 338,354	$ 58,438	$ (279,916)

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the fiscal year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

Galveston County Municipal Utility District No. 36
TSI-1. Services and Rates
January 31, 2026

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

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

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

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

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.

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

Gallons pumped into system: N/A

Gallons billed to customers: N/A

Water Accountability Ratio:
(Gallons billed / Gallons pumped)
N/A

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

Does the District have Debt Service standby fees? Yes [ ] No [X]

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

Does the District have Operation and Maintenance standby fees? Yes [ ] No [X]

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

5. Location of District:

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

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

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

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

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

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

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditor's report.

Galveston County Municipal Utility District No. 36
TSI-2. General Fund Expenditures
For the Year Ended January 31, 2026

Professional fees	
Legal	$ 96,640
Audit	17,000
Engineering	5,902
	119,542
Contracted services	
Bookkeeping	15,300
Repairs and maintenance	235,465
Administrative	
Directors fees	14,365
Printing and office supplies	1,783
Insurance	228
Other	5,469
	21,845
Capital outlay	7,668
Total expenditures	$ 399,820

See accompanying auditor's report.

Galveston County Municipal Utility District No. 36
TSI-3. Investments
January 31, 2026

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexSTAR	Variable	N/A	$ 164,941
Debt Service			
TexSTAR	Variable	N/A	835,381
TexSTAR	Variable	N/A	331,611
			1,166,992
Capital Projects			
TexSTAR	Variable	N/A	93,755
TexSTAR	Variable	N/A	46,477
			140,232
Total - All Funds			$ 1,472,165

See accompanying auditor's report.

Galveston County Municipal Utility District No. 36
TSI-4. Taxes Levied and Receivable
January 31, 2026

	Maintenance Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 95,112	$ 103,758	$ -	$ 198,870
Adjustments to Prior Year Tax Levy	3,862	4,213		8,075
Adjusted Receivable	98,974	107,971		206,945
2025 Original Tax Levy	553,444	688,730	172,183	1,414,357
Adjustments	4,944	6,153	1,538	12,635
Adjusted Tax Levy	558,388	694,883	173,721	1,426,992
Total to be accounted for	657,362	802,854	173,721	1,633,937
Tax collections:				
Current year	496,569	617,953	154,488	1,269,010
Prior years	98,430	107,377		205,807
Total Collections	594,999	725,330	154,488	1,474,817
Taxes Receivable, End of Year	$ 62,363	$ 77,524	$ 19,233	$ 159,120
Taxes Receivable, By Years				
2025	$ 61,818	$ 76,930	$ 19,233	$ 157,981
2024	545	594		1,139
Taxes Receivable, End of Year	$ 62,363	$ 77,524	$ 19,233	$ 159,120

	2025	2024	2023	2022
Property Valuations:				
Land	$ 55,315,784	$ 35,747,685	$ 7,405,710	$ 1,823,270
Improvements	75,828,257	27,081,463		
Personal Property	774,440	88,410		
Exemptions	(7,832,218)	(6,740,835)	(274,124)	(252,550)
Total Property Valuations	$ 124,086,263	$ 56,176,723	$ 7,131,586	$ 1,570,720
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.45	$ 0.55	$ 1.15	$ 1.00
W-S-D debt service tax rates	0.56	0.60		
Road debt service tax rates	0.14			
Total Tax Rates per $100 Valuation	$ 1.15	$ 1.15	$ 1.15	$ 1.00
Adjusted Tax Levy:	$ 1,426,992	$ 646,032	$ 82,013	$ 15,707
Percentage of Taxes Collected to Taxes Levied **	88.93%	99.82%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on May 2, 2020
* Maximum Road Maintenance Tax Rate Approved by Voters: $0.25 on May 2, 2020
** 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. 36
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2027	$ 155,000	$ 321,975	$ 476,975
2028	160,000	311,900	471,900
2029	170,000	301,500	471,500
2030	180,000	290,450	470,450
2031	190,000	278,750	468,750
2032	200,000	266,400	466,400
2033	210,000	253,400	463,400
2034	225,000	245,000	470,000
2035	235,000	236,000	471,000
2036	250,000	226,600	476,600
2037	260,000	216,600	476,600
2038	275,000	206,200	481,200
2039	290,000	195,200	485,200
2040	305,000	183,600	488,600
2041	325,000	171,400	496,400
2042	340,000	158,400	498,400
2043	360,000	144,375	504,375
2044	380,000	129,525	509,525
2045	400,000	113,850	513,850
2046	425,000	97,350	522,350
2047	445,000	79,819	524,819
2048	470,000	61,463	531,463
2049	495,000	42,075	537,075
2050	525,000	21,656	546,656
	$ 7,270,000	$ 4,553,488	$ 11,823,488

See accompanying auditor's report.

Galveston County Municipal Utility District No. 36
TSI-5. Long-Term Debt Service Requirements
Series 2024 Road--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2027	$ 130,000	$ 218,044	$ 348,044
2028	135,000	209,594	344,594
2029	140,000	200,819	340,819
2030	140,000	191,719	331,719
2031	145,000	182,619	327,619
2032	150,000	173,194	323,194
2033	160,000	163,444	323,444
2034	165,000	153,044	318,044
2035	170,000	144,794	314,794
2036	175,000	137,994	312,994
2037	180,000	130,994	310,994
2038	185,000	123,794	308,794
2039	195,000	116,394	311,394
2040	200,000	108,594	308,594
2041	210,000	100,594	310,594
2042	215,000	92,194	307,194
2043	225,000	83,325	308,325
2044	230,000	74,044	304,044
2045	240,000	64,556	304,556
2046	245,000	54,655	299,655
2047	255,000	44,549	299,549
2048	265,000	34,030	299,030
2049	275,000	23,100	298,100
2050	285,000	11,756	296,756
	$ 4,715,000	$ 2,837,844	$ 7,552,844

See accompanying auditor's report.

Galveston County Municipal Utility District No. 36
TSI-5. Long-Term Debt Service Requirements
Series 2025--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2027	$ -	$ 395,689	$ 395,689
2028	185,000	425,219	610,219
2029	195,000	413,194	608,194
2030	205,000	400,519	605,519
2031	215,000	387,194	602,194
2032	225,000	373,219	598,219
2033	240,000	358,594	598,594
2034	250,000	342,994	592,994
2035	265,000	326,744	591,744
2036	280,000	309,519	589,519
2037	295,000	298,319	593,319
2038	310,000	286,519	596,519
2039	325,000	273,731	598,731
2040	345,000	259,919	604,919
2041	360,000	244,825	604,825
2042	380,000	228,625	608,625
2043	400,000	211,525	611,525
2044	420,000	193,025	613,025
2045	445,000	173,600	618,600
2046	465,000	153,018	618,018
2047	490,000	131,512	621,512
2048	515,000	108,850	623,850
2049	545,000	84,387	629,387
2050	570,000	58,500	628,500
2051	600,000	30,000	630,000
	$ 8,525,000	$ 6,469,240	$ 14,994,240

See accompanying auditor's report.

Galveston County Municipal Utility District No. 36
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
January 31, 2026

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2027	$ 285,000	$ 935,708	$ 1,220,708
2028	480,000	946,713	1,426,713
2029	505,000	915,513	1,420,513
2030	525,000	882,688	1,407,688
2031	550,000	848,563	1,398,563
2032	575,000	812,813	1,387,813
2033	610,000	775,438	1,385,438
2034	640,000	741,038	1,381,038
2035	670,000	707,538	1,377,538
2036	705,000	674,113	1,379,113
2037	735,000	645,913	1,380,913
2038	770,000	616,513	1,386,513
2039	810,000	585,325	1,395,325
2040	850,000	552,113	1,402,113
2041	895,000	516,819	1,411,819
2042	935,000	479,219	1,414,219
2043	985,000	439,225	1,424,225
2044	1,030,000	396,594	1,426,594
2045	1,085,000	352,006	1,437,006
2046	1,135,000	305,023	1,440,023
2047	1,190,000	255,880	1,445,880
2048	1,250,000	204,343	1,454,343
2049	1,315,000	149,562	1,464,562
2050	1,380,000	91,912	1,471,912
2051	600,000	30,000	630,000
	$ 20,510,000	$ 13,860,572	$ 34,370,572

See accompanying auditor's report.

Galveston County Municipal Utility District No. 36
TSI-6. Change in Long-Term Bonded Debt
January 31, 2026

	Bond Issue			
	Series 2024	Series 2024 Road	Series 2025	Totals
Interest rate	4.00% - 6.50%	4.00% - 6.50%	4.00% - 6.50%	
Dates interest payable	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	
Maturity dates	9/1/26 - 9/1/49	9/1/26 - 9/1/49	9/1/27 - 9/1/50	
Beginning bonds outstanding	$ 7,270,000	$ 4,715,000	$ -	$ 11,985,000
Bonds issued			8,525,000	8,525,000
Ending bonds outstanding	$ 7,270,000	$ 4,715,000	$ 8,525,000	$ 20,510,000
Interest paid during fiscal year	$ 302,299	$ 158,082	$ -	$ 460,381
Paying agent's name and city				
All Series	BOKF, NA., Dallas, Texas			

Bond Authority:	Water, Sewer and Drainage Bonds	Recreational Facility Bonds	Road Facility Bonds
Amount Authorized by Voters	$ 92,100,000	$ 18,290,000	$ 55,000,000
Amount Issued	(15,795,000)		(4,715,000)
Remaining To Be Issued	$ 76,305,000	$ 18,290,000	$ 50,285,000

Bond Authority:	Water, Sewer and Drainage Refunding Bonds	Recreational Facility Refunding Bonds	Road Facility Refunding Bonds
Amount Authorized by Voters	$ 92,100,000	$ 18,290,000	$ 55,000,000
Amount Issued			
Remaining To Be Issued	$ 92,100,000	$ 18,290,000	$ 55,000,000

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

Debt Service Fund cash and investments balance as of January 31, 2026:	$ 2,263,091
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,374,823

See accompanying auditor's report.

Galveston County Municipal Utility District No. 36
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2026	2025	2024	2023	2022**
Revenues					
Property taxes	$ 308,387	$ 82,026	$ 15,730	$ 15,707	$ 18,196
Miscellaneous			40	10	
Investment earnings	6,267	21	325	256	11
Total Revenues	314,654	82,047	16,095	15,973	18,207
Expenditures					
Operating and administrative					
Professional fees	119,542	178,851	119,547	117,535	125,198
Contracted services	15,300	10,550	8,406	11,726	10,057
Repairs and maintenance	235,465	206,044	187,254	42,647	15,096
Administrative	21,845	30,160	14,913	10,872	14,310
Other		349	150	487	10,290
Capital outlay	7,668			322,056	
Total Expenditures	399,820	425,954	330,270	505,323	174,951
Revenues Under Expenditures	(85,166)	(343,907)	(314,175)	(489,350)	(156,744)
Other Financing Sources (Uses)					
Developer advances		625,000	137,500	509,556	142,782
Internal transfers	32,100	(10,628)			
Net Change in Fund Balance	(53,066)	270,465	(176,675)	20,206	(13,962)
Fund Balance, Beginning of the year	111,504	(158,961)	17,714	(2,492)	11,470
End of the year	$ 58,438	$ 111,504	$ (158,961)	$ 17,714	$ (2,492)

*Percentage is negligible
**Unaudited

See accompanying auditor's report.

Percent of Fund Total Revenues				
2026	2025	2024	2023	2022**
98%	100%	98%	98%	100%
		*	*	
2%	*	2%	2%	*
100%	100%	100%	100%	100%
38%	218%	743%	736%	688%
5%	13%	52%	73%	55%
75%	251%	1163%	267%	83%
7%	37%	93%	68%	79%
	*	1%	3%	57%
2%			2016%	
127%	519%	2052%	3163%	962%
(27%)	(419%)	(1952%)	(3063%)	(862%)

Galveston County Municipal Utility District No. 36
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Two Fiscal Years

	Amounts		Percent of Fund Total Revenues	
	2026	2025	2026	2025
Revenues				
Property taxes	$ 336,516	$ -	88%	
Penalties and interest	3,919	374	1%	9%
Miscellaneous	4,729		1%	
Investment earnings	38,328	3,670	10%	91%
Total Revenues	383,492	4,044	100%	100%
Expenditures				
Tax collection services	15,677	11,539	4%	285%
Debt service				
Interest and fees	460,780		120%	
Total Expenditures	476,457	11,539	124%	285%
Revenues Under Expenditures	(92,965)	(7,495)	(24%)	(185%)
Other Financing Sources				
Proceeds from sale of bonds	425,218	758,062		
Internal transfers		10,628		
Net Change in Fund Balance	332,253	761,195		
Fund Balance, Beginning of the year	761,195			
End of the year	$ 1,093,448	$ 761,195		

See accompanying auditor's report.

Galveston County Municipal Utility District No. 36
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended January 31, 2026

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 14, 2024
Limit on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution -- TWC Section 49.060)	$ 7,200

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse-ments	Title at Year End
Board Members				
Katie Lee-Faulk	05/22 - 05/26	$ 1,989	$ -	President
Monica Davison	05/22 - 05/26	1,989		Vice President
Tammie Crenek	05/24 - 05/28	1,989		Secretary
Lady Finley	05/24 - 05/28	6,188	1,710	Assistant Vice President
Cristi McKee	05/24 - 05/28	2,210		Assistant Secretary
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	01/20			Attorney
General legal fees		$ 101,374		
Bond counsel		219,026		
Myrtle Cruz, Inc.	01/20	24,907		Bookkeeper
Assessments of the Southwest, Inc.	01/20	7,466		Tax Collector
Galveston Central Appraisal District	Legislation	1,931		Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/21	743		Delinquent Tax Attorney
GFT Infrastructure, Inc.	01/20	73,970		Engineer
McGrath & Co., PLLC	01/20	25,000		Auditor
Masterson Advisors LLC	01/20	167,005		Financial Advisor

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

See accompanying auditor's report.