OFFICIAL STATEMENT DATED SEPTEMBER 17, 2026

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL TO THE EFFECT THAT, UNDER EXISTING LAW AND ASSUMING CONTINUING COMPLIANCE WITH COVENANTS IN THE BOND RESOLUTION, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES STATED ABOVE LAW SUBJECT TO THE MATTERS DESCRIBED IN "TAX MATTERS" HEREIN AND IS NOT INCLUDED IN THE FEDERAL ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS. SEE "LEGAL MATTERS" AND "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS."

NEW ISSUE-Book-Entry-Only

Insured Rating (BAM): S&P "AA" (stable outlook)
Underlying Rating: Moody's "Baa3"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$4,600,000
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 66
(A political subdivision of the State of Texas located within Galveston County)
UNLIMITED TAX BONDS
SERIES 2026

The bonds described above (the "Bonds") are obligations solely of Galveston County Municipal Utility District No. 66 (the "District") and are not obligations of the State of Texas, Galveston County, the City of Texas City, or any entity other than the District.

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

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

Principal of the Bonds is payable at maturity or prior redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. in Houston, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment. Interest on the Bonds is payable each March 1 and September 1, commencing March 1, 2027, until maturity or prior redemption. Interest on the Bonds accrues from the date of initial delivery (expected on or about October 20, 2026) (the "Date of Delivery") and will be payable on the basis of a 360 day year of twelve 30 day months. The Bonds will be issued only in fully registered form and 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."

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM" or the "Insurer"). See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (March 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2028	$ 115,000	5.000 %	3.30 %	36422P GW2	2035	$ 165,000 (c)	4.375 %	4.40 %	36422P HD3
2029	120,000	5.000	3.45	36422P GX0	***	***	***	***	***
2030	125,000	5.000	3.55	36422P GY8	2044	265,000 (c)	5.000	5.03	36422P HN1
2031	135,000	5.000	3.65	36422P GZ5	2045	280,000 (c)	5.000	5.05	36422P HP6
2032	140,000	5.000	3.75	36422P HA9	2046	295,000 (c)	5.000	5.08	36422P HQ4
2033	150,000 (c)	4.000	4.05	36422P HB7	2047	310,000 (c)	5.000	5.10	36422P HR2
2034	155,000 (c)	4.250	4.25	36422P HC5					

$360,000 Term Bonds Due March 1, 2037 (c), 36422P HF8 (b), 4.750% Interest Rate, 4.80% Yield (a)
$395,000 Term Bonds Due March 1, 2039 (c), 36422P HH4 (b), 4.875% Interest Rate, 4.92% Yield (a)
$440,000 Term Bonds Due March 1, 2041 (c), 36422P HK7 (b), 5.000% Interest Rate, 4.90% Yield (a)
$485,000 Term Bonds Due March 1, 2043 (c), 36422P HM3 (b), 5.000% Interest Rate, 5.00% Yield (a)
$665,000 Term Bonds Due March 1, 2049 (c), 36422P HT8 (b), 5.000% Interest Rate, 5.15% Yield (a)

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (hereinafter defined) for offers to the public and which subsequently may be changed. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
(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) Bonds maturing on or after March 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 March 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. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

The Bonds are offered by the Underwriter (as defined herein) 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 Wallace & Philbin, L.L.P., 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 20, 2026.

TABLE OF CONTENTS

MATURITY SCHEDULE **1**
USE OF INFORMATION IN OFFICIAL STATEMENT . **3**
SALE AND DISTRIBUTION OF THE BONDS **4**
Award of the Bonds 4
Prices and Marketability 4
Securities Laws 4
OFFICIAL STATEMENT SUMMARY **5**
SELECTED FINANCIAL INFORMATION (UNAUDITED) **9**
THE BONDS **10**
Description 10
Transfer, Exchange and Registration 10
Method of Payment of Principal and Interest 10
Source of Payment 11
Funds 11
No Arbitrage 11
Redemption Provisions 12
Authority for Issuance 13
Lost, Stolen or Destroyed Bonds 13
Replacement of Paying Agent/Registrar 13
Issuance of Additional Debt 13
Consolidation 14
Dissolution by the City of Texas City 14
Remedies in Event of Default 14
Legal Investment and Eligibility to Secure Public Funds in Texas 14
Defeasance 15
BOOK-ENTRY-ONLY SYSTEM **15**
UTILITY SERVICES AGREEMENT **17**
USE AND DISTRIBUTION OF BOND PROCEEDS **17**
THE DISTRICT **18**
General 18
Description and Location 18
Land Use 19
Status of Development 20
Homebuilding 20
Future Development 20
THE DEVELOPERS AND MAJOR PROPERTY OWNERS **21**
Role of a Developer 21
HWY 66 Partners, Ltd. and CastleRock Communities LLC 21
KB Home Lone Star Inc. 21
Beazer Homes Texas, LP 21
Major Property Owners 21
MANAGEMENT OF THE DISTRICT **22**
Board of Directors 22
District Consultants 22
THE SYSTEM **23**
Regulation 23
Water Supply and Wastewater Treatment 23
Water Distribution, Wastewater Collection and Storm Drainage Facilities 23
Ownership and Operations 23
100-Year Floodplain 23
Atlas 14 23
FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED) **24**
Investments of the District 24
Outstanding Debt 24
General Operating Fund 25
Debt Service Requirements 26
Estimated Overlapping Debt 27
Overlapping Taxes 27
TAX DATA **28**
Debt Service Tax 28
Maintenance and Operations Tax 28
Historical Tax Rate Distribution 28
Tax Exemptions 28
Additional Penalties 28
Historical Tax Collections 28
Tax Roll Information 29
Principal Taxpayers 29
Tax Adequacy for Debt Service 30
TAXING PROCEDURES **30**
Authority to Levy Taxes 30
Property Tax Code and County-Wide Appraisal District 30
Property Subject to Taxation by the District 30
Tax Abatement 31
Valuation of Property for Taxation 31
District and Taxpayer Remedies 32
Levy and Collection of Taxes 32
Rollback of Operation and Maintenance Tax Rate 33
District's Rights in the Event of Tax Delinquencies 34
INVESTMENT CONSIDERATIONS **34**
General 34
Dependence on Principal Taxpayers 34
Undeveloped Acreage and Vacant Lots 34
Developers/Property Owners Obligation to the District 35
Increase in Costs of Building Materials 35
Economic Factors and Interest Rates 35
Credit Markets and Liquidity in the Financial Markets 35
Competition 35
Certain Tax Exemptions Provided for Affordable Housing 36
Possible Impact on District Tax Rate 36
Future Debt 37
Potential Effects of Oil Price Volatility on the Houston Area 37
Extreme Weather Events 37
Hurricanes or Other Catastrophic Loss 38
Specific Flood Type Risks 38
Environmental Regulations 38
Tax Collection Limitations and Foreclosure Remedies . 40
Registered Owners' Remedies and Bankruptcy Limitations 40
Continuing Compliance with Certain Covenants 41
Marketability of the Bonds 41
Cybersecurity 41
Changes in Tax Legislation 41
Risk Factors on Municipal Bond Insurance 42
LEGAL MATTERS **42**
Legal Opinions 42
Legal Review 42
No Material Adverse Change 43
No-Litigation Certificate 43
TAX MATTERS **43**
Tax Exemption 43
Collateral Federal Income Tax Consequences 43
State, Local and Foreign Taxes 44
Tax Accounting Treatment of Original Issue Discount and Premium on Certain Bonds 44
Qualified Tax-Exempt Obligations 45
MUNICIPAL BOND RATING **45**
MUNICIPAL BOND INSURANCE **45**
Bond Insurance Policy 45
Build America Mutual Assurance Company 45
PREPARATION OF OFFICIAL STATEMENT **47**
Sources and Compilation of Information 47
Financial Advisor 47
Consultants 47
Updating the Official Statement 47
Certification of Official Statement 48
CONTINUING DISCLOSURE OF INFORMATION **48**
Annual Reports 48
Specified Event Notices 48
Availability of Information from the MSRB 49
Limitations and Amendments 49
Compliance With Prior Undertakings 49
MISCELLANEOUS **49**
AERIAL PHOTOGRAPH
PHOTOGRAPHS OF THE DISTRICT
APPENDIX A—Financial Statement of the District for the Fiscal Year Ended May 31, 2025
APPENDIX B—Specimen Municipal Bond Insurance Policy

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This OFFICIAL STATEMENT is not to be used in 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 Wallace & Philbin, L.L.P., Bond Counsel, 6363 Woodway, Suite 800, Houston, Texas 77057, 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."

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by Raymond James & Associates, Inc. (the "Underwriter") bearing the interest rates shown on the cover hereof, at a price of 97.0212% of the par value thereof, which resulted in a net effective interest rate of 5.149158%, 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 that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over 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 order of the Texas Commission on Environmental Quality ("TCEQ"), on September 6, 2006, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District currently contains approximately 378 acres of land. See "THE DISTRICT."

Location… The District is located approximately 35 miles southeast of the central downtown business district of the City of Houston and lies wholly within the corporate limits of the City of Texas City (the "City"). Approximately 215 acres within the District is within Dickinson Independent School District and approximately 163 acres is within Texas City Independent School District. The District is located approximately three miles southeast of the intersection of Interstate Highway 45 and the Emmett F. Lowry Expressway on the east side of Interstate Highway 45. See "THE DISTRICT—Description and Location" and "AERIAL PHOTOGRAPH."

The Developers and Major Property Owners… The initial developer of land within the District was HWY 66 Partners, Ltd., a Texas limited partnership ("HWY 66"), the general partner of which is Jabaz Development Co., Inc., a Texas corporation. HWY 66 was formed to acquire and develop the land within the District for both residential and commercial usage. In May 2006, HWY 66 developed 85 single-family residential lots in Pearlbrook, Section One on approximately 18 acres. In August 2009, prior to commencement of homebuilding, Capital One Bank foreclosed upon such developed lots and approximately 220 acres of undeveloped property. HWY 66 continues to own approximately 13 acres of developable land in the District.

CastleRock Communities LLC ("CastleRock"), a Texas-based single-family residential developer and homebuilder, purchased the foreclosed lots and approximately 2 acres of undeveloped land from Capital One Bank. CastleRock developed 7 single-family residential lots on such approximately 2 acres as Pearlbrook, Section Two, and subsequently purchased approximately 162 acres from AVI as described below. CastleRock has developed 499 single-family residential lots on 114 of such acres as Pearlbrook, Sections Three through Ten. CastleRock continues to own approximately 18 acres of developable but undeveloped land in the District.

KB Home Lone Star Inc. ("KB Home") has developed 203 single-family residential lots on approximately 50 acres as Vida Costera, Sections One through Three. KB Home does not own any remaining developable land in the District.

Beazer Homes Texas, LP, a Delaware limited partnership ("Beazer Homes"), has developed 137 single-family residential lots on approximately 55 acres as Sunrise Cove, Sections One and Two. Beazer Homes does not own any remaining developable land in the District.

CastleRock, KB Home and Beazer Homes are referred to herein as the "Developers." See "THE DEVELOPERS AND MAJOR PROPERTY OWNERS" and "TAX DATA—Principal Taxpayers."

AVI Ron & TC II Partners, Ltd. ("AVI"), purchased approximately 164 acres of undeveloped land from Capital One Bank, of which they subsequently sold approximately 162 acres to CastleRock for development of Pearlbrook. AVI continues to own approximately 8 acres of developable land in the District.

Status of Development… Residential development in the District consists of Pearlbrook, Sections One through Ten (591 single-family residential lots on approximately 134 acres), Vida Costera, Sections One through Three (203 single-family residential lots on approximately 50 acres) and Sunrise Cove, Sections One and Two (137 single-family residential lots on approximately 55 acres). As of August 5, 2026, 668 homes were completed (of which 650 homes were occupied, 12 homes were unoccupied and 6 model homes), 45 homes were under construction or in a builder's name, and 218 vacant developed lots were available for home construction. Recent home sales prices range from approximately $240,000 to $408,000 and the average homestead value in the District is approximately $264,000 based upon the District's 2026 tax roll.

In addition to single-family residential development, The Cove at Palmer Point (formerly known as the Costa Mariposa Apartments), an apartment community consisting of 252 units, has been constructed on approximately 16 acres within the District. The Cove at Palmer Point was funded and constructed under a federal low income housing tax credit program. Pursuant to Section 11.1825 of the Texas Tax Code, such apartments are entitled to an exemption from ad valorem taxes equal to fifty percent (50%) of the appraised value thereof. See "THE DISTRICT—Status of Development," "TAX DATA—Principal Taxpayers," "INVESTMENT CONSIDERATIONS—Certain Tax Exemptions Provided for Affordable Housing" and "—Dependence on Principal Taxpayers."

Approximately 23 acres have been developed for commercial use, where an approximately 36,500 square foot Mainland Medical Arts Pavilion, an approximately 60,000 square foot skilled nursing facility, an approximately 5,000 square foot dialysis facility, an approximately 8,000 square foot medical facility, an approximately 9,500 square foot retail building and an approximately 7,200 square foot retail building have been constructed. A Texas City Independent School District early childhood center has been constructed on approximately 13 acres within the District. The early childhood center school is exempt from the payment of ad-valorem taxes.

The District also contains approximately 43 acres of developable land (including approximately 25 acres served by perimeter underground trunkline water, wastewater and drainage facilities but without vertical improvements) and approximately 44 undevelopable acres of land contained in drainage, utility and pipeline easements, detention and open spaces. See "THE DISTRICT" and "INVESTMENT CONSIDERATIONS—Developers/Property Owners Obligation to the District."

Homebuilding... CastleRock and Century Communities are the homebuilders in Pearlbrook, KB Home is the sole homebuilder in Vida Costera, and Beazer Homes is the sole homebuilder in Sunrise Cove. See "THE DISTRICT—Homebuilding" and "TAX DATA—Principal Taxpayers."

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 wastewater services are paid directly to the City. See "UTILITY SERVICES AGREEMENT" and "THE SYSTEM."

Payment Record... The District has previously issued $17,700,000 principal amount of unlimited tax bonds in six series and $3,000,000 principal amount of unlimited tax park bonds in one series, of which $17,540,000 principal amount remains outstanding as of the date hereof (the "Outstanding Bonds"). The District has never defaulted on the payment of principal and interest on the Outstanding Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt."

THE BONDS

Description... The $4,600,000 Unlimited Tax 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 Board of Directors (the "Board"). The Bonds are scheduled to mature serially on March 1 in each of the years 2028 through 2035, both inclusive, and 2044 through 2047, both inclusive, and as term bonds maturing on March 1 in each of the years 2037, 2039, 2041, 2043 and 2049 (the "Term Bonds"), in the respective amounts and bearing interest at the rates for each maturity shown on the cover page hereof. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000. Interest on the Bonds accrues from the Date of Delivery (as defined herein), and is payable on March 1, 2027, and each September 1 and March 1 thereafter, until the earlier of maturity or prior redemption. See "THE BONDS."

Book-Entry-Only System... The DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be 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 March 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 March 1, 2032, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

Use of Proceeds... Proceeds of the Bonds will be used to pay for the items shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS." In addition, proceeds of the Bonds will be used to pay interest on funds advanced by the Developers on behalf of the District, and to pay engineering fees, administrative costs, and certain other costs related to the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Authority for Issuance... The Bonds are the seventh series of bonds issued out of an aggregate of $43,295,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing and constructing water, wastewater and storm drainage facilities. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, as amended, 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."

Source of Payment... Principal of and interest on the Bonds are payable solely from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of 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... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM or the "Insurer"). Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "Baa3" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors on Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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

Bond Counsel... Wallace & Philbin, L.L.P., Houston, Texas. See "MANAGEMENT OF THE DISTRICT" and "LEGAL 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... The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2026 Taxable Assessed Valuation	$198,472,016 (a)
Estimated Taxable Assessed Valuation as of July 1, 2026	$220,498,099 (b)
Gross Direct Debt Outstanding (after issuance of the Bonds)	$22,140,000 (c)
Estimated Overlapping Debt	13,822,491 (d)
Gross Direct Debt and Estimated Overlapping Debt	$35,962,491
Ratios of Gross Direct Debt to:	
2026 Taxable Assessed Valuation	11.16%
Estimated Taxable Assessed Valuation as of July 1, 2026	10.04%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2026 Taxable Assessed Valuation	18.12%
Estimated Taxable Assessed Valuation as of July 1, 2026	16.31%
Debt Service Funds Available as of August 21, 2026	$1,979,609 (e)
General Operating Funds Available as of August 21, 2026	$1,723,514
Capital Projects Funds Available as of August 21, 2026	$ 506,757
2026 Debt Service Tax Rate	$0.78
2026 Maintenance and Operations Tax Rate	0.09
2026 Total Tax Rate	$0.87
Average Annual Debt Service Requirement (2027-2049)	$1,414,158 (f)
Maximum Annual Debt Service Requirement (2028)	$1,867,919 (f)
Tax Rates Required to Pay Average Annual Debt Service (2027-2049) at a 95% Collection Rate:	
Based upon 2026 Taxable Assessed Valuation	$0.76 (g)
Based upon Estimated Taxable Assessed Valuation as of July 1, 2026	$0.68 (g)
Tax Rates Required to Pay Maximum Annual Debt Service (2028) at a 95% Collection Rate:	
Based upon 2026 Taxable Assessed Valuation	$1.00 (g)
Based upon Estimated Taxable Assessed Valuation as of July 1, 2026	$0.90 (g)
Status of Development as of August 5, 2026 (h):	
Total Lots Constructed	931
Homes Completed (650 Occupied, 12 Unoccupied, and 6 Model Homes)	668
Homes Under Construction	45
Lots Available for Construction	218
Apartment Units	252
Estimated 2026 Population	2,779 (i)

(a) The Galveston Central Appraisal District (the "Appraisal District") has certified $192,610,914 of taxable value and an additional $5,861,102 remains uncertified and subject to review and downward adjustment prior to certification. 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 valuation within the District on July 1, 2026. Increases in value that occur between January 1, 2026 and July 1, 2026 will be assessed for purposes of taxation on January 1, 2027. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."

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

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

(e) Includes $885,078 for payment of the District September 1, 2026 debt service payment.

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

(g) See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

(h) See "THE DISTRICT—Land Use" and "—Status of Development."

(i) Estimate based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit.

OFFICIAL STATEMENT

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 66

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

$4,600,000
UNLIMITED TAX BONDS
SERIES 2026

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Galveston County Municipal Utility District No. 66 (the "District") of its $4,600,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the "TCEQ"), the terms and conditions of a resolution authorizing the issuance of the Bonds (the "Bond Resolution"), Article XVI, Section 59 of the Texas Constitution, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and elections held within the District.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, certain other information about the District, the Developers and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Wallace & Philbin, L.L.P., Bond Counsel, 6363 Woodway, Suite 800, Houston, Texas 77057, upon payment of duplication costs.

THE BONDS

Description

The Bonds will be dated October 1, 2026, and will accrue interest from the Date of Delivery (as defined herein), with interest payable on 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.

Transfer, Exchange and Registration

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

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Houston, Texas, as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, 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, the Outstanding Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, an 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 Texas City, Texas (the "City"), or any entity other than the District.

Funds

In the Bond Resolution, the 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.

All proceeds from the sale of the Bonds shall be deposited into the Capital Projects Fund, to be used for the purposes shown herein under "USE AND DISTRIBUTION OF BOND PROCEEDS," to pay Developer interest and to pay the costs related to issuance of the Bonds. Any monies remaining in the Capital Projects Fund after completion of construction will be used as described in the Bond Resolution or ultimately transferred to the 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.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for (the "Date of Delivery") 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 required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on March 1 in each of the years 2037, 2039, 2041, 2043 and 2049 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Date"), on March 1 in each of the years and in the principal amount set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$360,000 Term Bonds Due March 1, 2037	
Mandatory Redemption Date	**Principal Amount**
2036	$ 175,000
2037 (maturity)	185,000

$395,000 Term Bonds Due March 1, 2039	
Mandatory Redemption Date	**Principal Amount**
2038	$ 190,000
2039 (maturity)	205,000

$440,000 Term Bonds Due March 1, 2041	
Mandatory Redemption Date	**Principal Amount**
2040	$ 215,000
2041 (maturity)	225,000

$485,000 Term Bonds Due March 1, 2043	
Mandatory Redemption Date	**Principal Amount**
2042	$ 235,000
2043 (maturity)	250,000

$665,000 Term Bonds Due March 1, 2049	
Mandatory Redemption Date	**Principal Amount**
2048	$ 325,000
2049 (maturity)	340,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 2033, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of $5,000 on March 1, 2032, or any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of the Bonds to be redeemed will be selected by the District. If fewer than all 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 bond elections held within the District on November 7, 2006, and May 4, 2019, voters of the District authorized the issuance of an aggregate of $43,295,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater, and storm drainage facilities. The Bonds are being issued pursuant to such authorization. See "—Issuance of Additional Debt" herein.

The TCEQ has authorized the District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, and elections held within the District.

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange 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 bond elections held within the District, voters of the District authorized the issuance of $43,295,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater, and storm drainage facilities, an additional $16,295,000 principal amount of unlimited tax bonds for refunding bonds issued for such purposes, and $3,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing parks and recreational facilities. After the issuance of the Bonds, $20,995,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and storm drainage facilities will remain authorized but unissued, $16,295,000 principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued and no authorization will remain for parks and recreational facilities. The Bonds constitute the seventh issuance of bonds for water, wastewater and storm drainage facilities by the District. See "INVESTMENT CONSIDERATIONS—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 could issue park bonds payable from taxes, the following actions were required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. The outstanding principal amount of park bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, 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 can exceed one percent (1%) but not three percent (3%) of the value of taxable property in the District. The Board has approved a park plan, and at an election held November 6, 2018, voters of the District authorized the issuance of $3,000,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing parks and recreational facilities. The District issued one series of unlimited tax bonds for park and recreational facilities in the principal amount of $3,000,000 and no bond authorization for such purposes remains authorized but unissued.

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.

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

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 Developers for the cost of water, wastewater and storm drainage facilities constructed within the District and for capital recovery fees charged by the City. Issuance of additional bonds and the levy of taxes in connection therewith 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 Texas 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.

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 or confirmed 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 judgement lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "INVESTMENT CONSIDERATIONS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond 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+" by 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 effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

UTILITY SERVICES AGREEMENT

All land in the District is located within the corporate limits of the City. The City and the District entered into a utility services agreement, effective January 1, 2007, as amended and supplemented (the "Utility Services Agreement"), 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 for such System improvements to the City, and (2) the City to provide permanent water supply and wastewater treatment for the District. The City operates and maintains such facilities, and is responsible for establishing water and sewer rates and collection charges for water and sewer service within the District. The City has no maintenance responsibility for open drainage channels, lakes, ponds, or other detention facilities financed or constructed by the District. Pursuant to the Utility Services Agreement, the District purchases capacity in the City's water supply and wastewater treatment facilities by paying a Capital Recovery Fee to the City. The amount of this Capital Recovery Fee may be changed 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 taxable property located in the City. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Sherrington-Humble, LLC, the District's engineer (the "Engineer"), and were submitted to the TCEQ in the District's bond application. 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 agreed-upon procedures by the District's auditor prior to disbursement. Any surplus bond funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ.

CONSTRUCTION COSTS		
• Sunrise Cove, Section One - Water, Wastewater and Drainage	$	1,101,024
• Vida Costera, Section Two - Water, Wastewater and Drainage		442,423
• Pearlbrook, Section Ten - Water, Wastewater and Drainage		977,740
• Engineering, Surveying and Geotechnical Inspection Services		308,415
• City Water and Wastewater Impact Fees		827,931
• Drainage District Impact Fees		40,685
• Storm Water Pollution Prevention		80,164
• Contingencies		48,888
Total Construction Costs	**$**	**3,827,270**
NON-CONSTRUCTION COSTS		
• Underwriter's Discount (a)	$	137,023
• Developer Interest (Estimated)		299,989
Total Non-Construction Costs	**$**	**437,012**
ISSUANCE COSTS AND FEES		
• Issuance Costs and Professional Fees	$	278,641
• Bond Application Report Costs		40,000
• State Regulatory Fees		16,100
• Contingency (a)		977
Total Issuance Costs and Fees	**$**	**335,718**
TOTAL BOND ISSUE	**$**	**4,600,000**

(a) In its order authorizing the issuance of the Bonds, the TCEQ approved a maximum Underwriter's Discount of 3.00%. Contingency represents the difference in the estimated and actual amount of Underwriter's Discount.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved under the rules of the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The District cannot and does not guarantee the sufficiency of such funds for such purpose.

THE DISTRICT

General

The District is a political subdivision of the State of Texas, created by order of the TCEQ, on September 6, 2006, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also 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 may also, subject to the granting of road powers by the TCEQ and certain limitations, develop and finance roads. See "THE BONDS—Issuance of Additional Debt" and "INVESTMENT CONSIDERATIONS—Future Debt."

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: (i) 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; (ii) limit the net effective interest rate on such bonds and other terms of such bonds; (iii) require approval by the City of District construction plans; and (iv) 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 currently contains approximately 378 acres of land. The District is located approximately 35 miles southeast of the central downtown business district of the City of Houston and lies wholly within the corporate limits of the City. Approximately 215 acres within the District is within Dickinson Independent School District and approximately 163 acres is within Texas City Independent School District. The District is located approximately three miles southeast of the intersection of Interstate Highway 45 and the Emmett F. Lowry Expressway on the east side of Interstate Highway 45. See "AERIAL PHOTOGRAPH."

Land Use

The District currently includes approximately 239 acres of single-family residential development (931 single-family residential lots), approximately 16 acres developed for multi-family development, approximately 23 acres developed for commercial use, approximately 18 developable acres that have not been fully provided with water distribution, wastewater collection and storm drainage facilities, approximately 25 developable acres served by perimeter underground trunkline water, wastewater and drainage facilities but without vertical improvements, approximately 13 acres developed for a school site and approximately 44 undevelopable acres (drainage, utility, and pipeline easements, detention, and open spaces). The table below represents a detailed breakdown of the current acreage and development in the District.

Single-Family Residential	Approximate Acres	Lots
Pearlbrook:		
Section One	18	85
Section Two	2	7
Section Three	14	66
Section Four	8	37
Section Five	10	42
Section Six	8	35
Section Seven	13	57
Section Eight	18	72
Section Nine	25	112
Section Ten	18	78
Subtotal	134	591
Vida Costera:		
Section One	28	98
Section Two	11	49
Section Three	11	56
Subtotal	50	203
Sunrise Cove:		
Section One	26	76
Section Two	29	61
Subtotal	55	137
Total Single-Family Residential	239	931
Multi-Family Residential (252 Units)	16	-
Commercial	23	-
Future Development (a)	43	-
School Site (Tax-Exempt)	13	-
Undevelopable (b)	44	-
Totals	378	931

(a) Includes approximately 25 acres served by perimeter underground trunkline water, wastewater collection and drainage facilities but without vertical improvements. See "—Status of Development" herein.
(b) Includes drainage, utility and pipeline easements, detention and open spaces.

Status of Development

Residential development in the District consists of Pearlbrook, Sections One through Ten (591 single-family residential lots on approximately 134 acres), Vida Costera, Sections One through Three (203 single-family residential lots on approximately 50 acres) and Sunrise Cove, Sections One and Two (137 single-family residential lots on approximately 55 acres). As of August 5, 2026, 668 homes were completed (of which 650 were occupied, 12 were unoccupied and 6 model homes), 45 homes were under construction or in a builder's name, and 218 vacant developed lots were available for home construction. Recent home sales prices range from approximately $240,000 to $408,000 and the average homestead value is approximately $264,000 based upon the District's 2026 tax roll. The estimated population in the District, based upon 3.5 persons per occupied single-family residence and 2 persons per apartment unit, is 2,779.

In addition to single-family residential development, The Cove at Palmer Point (formerly known as the Costa Mariposa Apartments), an apartment community consisting of 252 units, has been constructed on approximately 16 acres within the District. The Cove at Palmer Point was funded and constructed under a federal low income housing tax credit program. The total market value assessed by the Appraisal District is reduced by fifty percent (50%) for purposes of taxation. See "TAX DATA—Principal Taxpayers," "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers" and "—Certain Tax Exemptions Provided for Affordable Housing."

Approximately 23 acres have been developed for commercial use, where an approximately 36,500 square foot Mainland Medical Arts Pavilion, an approximately 60,000 square foot skilled nursing facility, an approximately 5,000 square foot dialysis facility, an approximately 8,000 square foot medical facility, an approximately 9,500 square foot retail building and an approximately 7,200 square foot retail building have been constructed. A Texas City Independent School District early childhood center has been constructed on approximately 13 acres within the District. The early childhood center school is exempt from the payment of ad-valorem taxes.

The District also contains approximately 43 acres of developable land (including approximately 25 acres served by perimeter underground trunkline water, wastewater and drainage facilities but without vertical improvements) and approximately 44 acres of undevelopable land consisting of drainage, utility and pipeline easements, detention and open spaces. See "INVESTMENT CONSIDERATIONS—Developers/Property Owners Obligation to the District."

Homebuilding

CastleRock and Century Communities are the homebuilders in Pearlbrook, KB Home is the sole homebuilder in Vida Costera and Beazer Homes is the sole homebuilder in Sunrise Cove. See "TAX DATA—Principal Taxpayers."

Future Development

The District is currently planned as a mixed-use development consisting of single-family residential, multi-family residential and commercial development. Approximately 18 developable acres of land in the District (excluding approximately 25 acres served by perimeter underground trunkline water, wastewater and drainage facilities but without vertical improvements) are not yet served by water, wastewater and drainage facilities for future development. While the District anticipates future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District. The District's Engineer has stated that under current development plans, the remaining authorized but unissued bonds ($20,995,000) will be sufficient to finance the construction of water, wastewater, and drainage facilities for full development of the District's current acreage, including payment of capital recovery fees due to the City. See "THE BONDS—Issuance of Additional Debt," "THE SYSTEM," "INVESTMENT CONSIDERATIONS—Undeveloped Acreage and Vacant Lots" and "—Future Debt."

THE DEVELOPERS AND MAJOR PROPERTY OWNERS

Role of a Developer

In general, 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 Developers 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 "INVESTMENT CONSIDERATIONS—Dependence on Principal Taxpayers."

Neither the Developers, nor any other property owner is responsible for, liable for, or has made any commitment for payment of the Bonds or other obligations of the District. Neither the Developers nor other property owner has any legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time. See "INVESTMENT CONSIDERATIONS—Developers/Property Owners Obligation to the District" and "—Dependence on Principal Taxpayers."

HWY 66 Partners, Ltd. and CastleRock Communities LLC

The initial developer of land within the District was HWY 66 Partners, Ltd., a Texas limited partnership ("HWY 66"), the general partner of which is Jabaz Development Co., Inc., a Texas corporation. HWY 66 was formed to acquire and develop the land within the District for both residential and commercial usage. In May 2006, HWY 66 developed 85 single-family residential lots in Pearlbrook, Section One on approximately 18 acres. In August 2009, prior to commencement of homebuilding, Capital One Bank foreclosed upon such developed lots and approximately 220 acres of undeveloped property. HWY 66 continues to own approximately 13 acres of developable land in the District.

CastleRock Communities LLC ("CastleRock"), a Texas-based single-family residential developer and homebuilder, purchased the foreclosed lots and approximately 2 acres of undeveloped land from Capital One Bank. CastleRock developed 7 single-family residential lots on such 2 acres as Pearlbrook, Section Two, and subsequently purchased approximately 162 acres from AVI as described below. CastleRock has developed 499 single-family residential lots on 114 of such acres as Pearlbrook, Sections Three through Ten. CastleRock continues to own approximately 18 acres of developable but undeveloped land in the District.

KB Home Lone Star Inc.

KB Home Lone Star Inc. ("KB Home") has developed 203 single-family residential lots on approximately 50 acres as Vida Costera, Sections One through Three. KB Home does not own any remaining developable land in the District. KB Home is an indirect wholly-owned subsidiary of KB Home, a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange under the ticker symbol "KBH." See "THE DISTRICT—Land Use," "TAX DATA—Principal Taxpayers" and "INVESTMENT CONSIDERATIONS—Dependence on Major Taxpayers and the Developers."

Beazer Homes Texas, LP

Beazer Homes Texas, LP, a Delaware limited partnership ("Beazer Homes"), has developed 137 single-family residential lots on approximately 55 acres as Sunrise Cove, Sections One and Two. Beazer Homes does not own any remaining developable land in the District. See "TAX DATA—Principal Taxpayers."

CastleRock, KB Home and Beazer Homes are referred to herein as the "Developers."

Major Property Owners

AVI Ron & TC II Partners, Ltd. ("AVI"), purchased approximately 164 acres of undeveloped land from Capital One Bank, of which they subsequently sold approximately 162 acres to CastleRock. AVI continues to own approximately 8 acres of developable land in the District.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year staggered terms and elections are held in May in even numbered years only. Each of the Board members owns land within the District subject to a note and deed of trust in favor of HWY 66. The current members of the Board along with their titles and terms, are listed as follows:

Name	District Board Title	Term Expires
Jeffrey M. Cravey	President	May 2030
Reneé Koch	Vice President	May 2028
Joe P. Jameson	Secretary	May 2030
Randall Stuewer	Assistant Vice President	May 2030
Donna Rickenbacker	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 Wallace & Philbin, L.L.P. as general counsel to the District and as Bond Counsel in connection with the issuance of the District's debt obligations. 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 District's financial statements for the fiscal year ending May 31, 2025, were audited by McGrath & Co., PLLC (the "Auditor"). See "APPENDIX A" for a copy of the District's audited financial statements for the year ended May 31, 2025. The District has engaged McGrath & Co., PLLC, to audit its financial statements for the fiscal year ended May 31, 2026.

Engineer: The District's consulting engineer is Sherrington-Humble, LLC.

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 McLennan & Associates, L.P. for bookkeeping services (the "Bookkeeper").

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system (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 District, the City, and Galveston County Drainage District No. 2. 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 is provided by the City pursuant to the Utility Services Agreement described more fully herein under "UTILITY SERVICES AGREEMENT." The District currently serves 907 equivalent single-family connections, including 650 active single-family connections, 18 vacant residential connections and 45 homes under construction. Water supply and wastewater treatment capacities for future development may require additional water supply and wastewater treatment capacity allocations by the City as provided in the Utility Services Agreement.

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, and storm drainage facilities to serve approximately 239 acres developed as 931 single-family residential lots and an apartment community, medical facilities, retail buildings and early childhood education center on approximately 51 acres. See "THE DISTRICT—Status of Development."

Ownership and Operations

The District (or the Developers on behalf of the District) finances and constructs the System, and thereafter conveys the components of the System to the City upon completion, subject to the District's capacity rights and the Developers' reimbursement rights pursuant to the Utility Services Agreement. The System is owned, maintained, and operated by the City. The City charges and collects the fees associated with the water distribution and wastewater collection system and the District receives no revenues from the operation of the System. The only funds available for the administration of the District are derived from maintenance tax revenue. See "UTILITY SERVICES AGREEMENT."

100-Year Floodplain

"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 1% chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater Houston area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer none of the developable acreage in the District is within the effective 100-year flood plain. See "INVESTMENT CONSIDERATIONS—Extreme Weather Events."

Atlas 14

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. See "INVESTMENT CONSIDERATIONS—Atlas 14."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2026 Taxable Assessed Valuation	$198,472,016	(a)
Estimated Taxable Assessed Valuation as of July 1, 2026	$220,498,099	(b)
Gross Direct Debt Outstanding (after issuance of the Bonds)	$22,140,000	(c)
Estimated Overlapping Debt	13,822,491	(d)
Gross Direct Debt and Estimated Overlapping Debt	$35,962,491	
Ratios of Gross Direct Debt to:		
2026 Taxable Assessed Valuation	11.16%	
Estimated Taxable Assessed Valuation as of July 1, 2026	10.04%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	18.12%	
Estimated Taxable Assessed Valuation as of July 1, 2026	16.31%	
Debt Service Funds Available as of August 21, 2026	$1,979,609	(e)
General Operating Funds Available as of August 21, 2026	$1,723,514	
Capital Projects Funds Available as of August 21, 2026	$ 506,757	

(a) The Appraisal District has certified $192,610,914 of taxable value and an additional $5,861,102 remains uncertified and subject to review and downward adjustment prior to certification. 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 valuation within the District on July 1, 2026. Increases in value that occur between January 1, 2026 and July 1, 2026 will be assessed for purposes of taxation on January 1, 2027. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."

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

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

(e) Includes $885,078 for payment of the District September 1, 2026 debt service payment.

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's portfolio.

Outstanding Debt

The District has previously issued six series of unlimited tax bonds in the principal amount of $17,700,000 and one series of unlimited tax park bonds in the principal amount of $3,000,000, of which $17,540,000 remains outstanding (the "Outstanding Bonds"). The following table lists the original principal amount of the Outstanding Bonds and the outstanding principal amount of the Outstanding Bonds.

Series	Original Principal Amount	Outstanding Bonds (as of 9/2/2026)
2014	$ 2,000,000	$ 1,415,000
2016	2,185,000	1,285,000
2018	2,490,000	1,870,000
2020	2,500,000	2,015,000
2023	4,600,000	4,030,000
2025	3,925,000	3,925,000
2025A (a)	3,000,000	3,000,000
Total	$20,700,000	$ 17,540,000

(a) Unlimited tax park bonds.

General Operating Fund

The District's System is 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 District System, except for open drainage channels, lakes, ponds, or other detention facilities financed or constructed by the District. See "UTILITY SERVICES AGREEMENT."

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 May 31, 2022, through May 31, 2025, and an unaudited summary for the fiscal year ended May 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 May 31				
	2026	2025	2024	2023	2022
	(unaudited)				
Revenues:					
Property Taxes	$ 336,659	$ 368,235	$ 233,501	$ 196,225	$ 349,336
Investment Earnings	61,918	59,957	60,538	25,927	3,719
Total Revenues	$ 398,577	$ 428,192	$ 294,039	$ 222,152	$ 353,055
Expenditures:					
Professional Fees	$ 97,599	$ 84,231	$ 56,611	$ 59,129	$ 57,155
Contracted Services	7,442	19,800	16,753	15,360	15,360
Administative	51,230	50,816	13,479	11,160	10,601
Other	824	219	3,292	10,583	28
Capital Outlay	-	-	301,667	-	-
Developer Interest	-	-	43,262	-	-
Total Expenditures	$ 157,095	$ 155,066	$ 435,064	$ 96,232	$ 83,144
NET REVENUES	$ 241,482	$ 273,126	$ (141,025)	$ 125,920	$ 269,911
Other Financing Sources/(Uses):					
Internal Transfers	$ -	$ -	$ -	$ (21,487)	$ -
General Operating Fund Balance (Beginning of Year)	$ 1,460,299	$ 1,187,173	$ 1,328,198	$ 1,223,765	$ 953,854
General Operating Fund Balance (End of Year)	$ 1,701,781	$ 1,460,299	$ 1,187,173	$ 1,328,198	$ 1,223,765

Debt Service Requirements

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

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2027	$ 1,556,481.25	$ -	$ 194,299.41	$ 194,299.41	$ 1,750,780.66
2028	1,530,881.25	115,000	222,037.50	337,037.50	1,867,918.75
2029	1,499,931.25	120,000	216,162.50	336,162.50	1,836,093.75
2030	1,478,681.25	125,000	210,037.50	335,037.50	1,813,718.75
2031	1,456,656.25	135,000	203,537.50	338,537.50	1,795,193.75
2032	1,428,981.25	140,000	196,662.50	336,662.50	1,765,643.75
2033	1,404,068.75	150,000	190,162.50	340,162.50	1,744,231.25
2034	1,383,406.25	155,000	183,868.75	338,868.75	1,722,275.00
2035	1,357,193.75	165,000	176,965.63	341,965.63	1,699,159.38
2036	1,340,206.25	175,000	169,200.00	344,200.00	1,684,406.25
2037	1,322,181.25	185,000	160,650.00	345,650.00	1,667,831.25
2038	1,298,387.50	190,000	151,625.00	341,625.00	1,640,012.50
2039	1,279,025.00	205,000	141,996.88	346,996.88	1,626,021.88
2040	1,258,250.00	215,000	131,625.00	346,625.00	1,604,875.00
2041	986,525.00	225,000	120,625.00	345,625.00	1,332,150.00
2042	795,981.25	235,000	109,125.00	344,125.00	1,140,106.25
2043	776,950.00	250,000	97,000.00	347,000.00	1,123,950.00
2044	602,800.00	265,000	84,125.00	349,125.00	951,925.00
2045	582,212.50	280,000	70,500.00	350,500.00	932,712.50
2046	561,456.25	295,000	56,125.00	351,125.00	912,581.25
2047	540,481.25	310,000	41,000.00	351,000.00	891,481.25
2048	323,950.00	325,000	25,125.00	350,125.00	674,075.00
2049	-	340,000	8,500.00	348,500.00	348,500.00
Total	$ 24,764,687.50	$ 4,600,000	$ 3,160,955.66	$ 7,760,955.66	$ 32,525,643.16

Average Annual Debt Service Requirements (2027-2049)..... $1,414,158
Maximum Annual Debt Service Requirement (2028)..... $1,867,919

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	0.36%	$ 457,056
City of Texas City	78,015,000	7/31/2026	2.17%	1,692,926
College of the Mainland	142,695,000	7/31/2026	0.92%	1,312,794
Dickinson Independent School District (a)	416,310,000	7/31/2026	1.65%	6,869,115
Texas City Independent School District (a)	281,500,000	7/31/2026	1.24%	3,490,600
Total Estimated Overlapping Debt				$ 13,822,491
The District	22,140,000	(b)	100%	22,140,000
Total Direct and Estimated Overlapping Debt				$ 35,962,491

(a) Approximately 215 acres within the District are included within Dickinson Independent School District and approximately 163 acres within the District are included within Texas City Independent School District.
(b) 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 the taxes levied for the 2026 tax year by all taxing jurisdictions overlapping the District and the District's 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 Assessed Valuation
Galveston County (including Road and Flood)	$ 0.324060
Dickinson Independent School District (a)	1.130000
City of Texas City	0.497231
College of the Mainland (b)	0.263800
Galveston County Drainage District No. 2	0.047932
Total Overlapping Tax Rate	$ 2.263023
District Tax Rate (c)	0.870000
Total Tax Rate	$ 3.133023

(a) Approximately 163 acres within the District overlap with Texas City Independent School District, which set its 2026 tax rate at $1.06 per $100 of taxable assessed valuation, creating a total tax rate for taxpayers in this area of $3.063023 per $100 of taxable assessed valuation.
(b) Represents the 2025 tax rate.
(c) See "TAX DATA—Historical Tax Rate Distribution."

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 or 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 Distribution" below, "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS—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 November 6, 2007, 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. See "—Debt Service Tax" above.

Historical Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service Tax	$ 0.78	$ 0.70	$ 0.68	$ 0.76	$ 0.77
Maintenance and Operations Tax	0.09	0.18	0.22	0.16	0.17
Total	$ 0.87	$ 0.88	$ 0.90	$ 0.92	$ 0.94

Tax Exemptions

For tax year 2026, the District has adopted a residential homestead exemption of $20,000 for persons 65 years or older or disabled persons and has not adopted a general residential homestead exemption. Additionally, pursuant to Section 11.1825 of the Texas Tax Code, The Cove at Palmer Point apartments is entitled to an exemption from ad valorem taxes equal to fifty percent (50%) of the appraised value thereof. See "TAXING PROCEDURES" and "INVESTMENT CONSIDERATIONS—Certain Tax Exemptions Provided for Affordable Housing."

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) or 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.

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.

Year	Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy (b)	Total Collections as of July 31, 2026 (c)	
				Amount	Percent
2021	$ 99,444,781	$ 0.95	$ 944,725	$ 944,725	100.00%
2022	114,502,674	0.94	1,076,325	1,076,325	100.00%
2023	148,025,987	0.92	1,361,839	1,361,578	99.98%
2024	167,348,235	0.90	1,506,134	1,495,140	99.27%
2025	190,706,752	0.88	1,678,219	1,642,106	97.85%
2026	198,472,016	0.87	1,726,707	(d)	(d)

(a) Represents taxable assessed value as certified by the Appraisal District less any exemptions granted. See "—Tax Roll Information" herein for gross appraised value and exemptions granted by the District.
(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
(c) Unaudited collections.
(d) In process of collection. Taxes for 2026 are due by January 31, 2027.

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. Accurate breakdowns related to the uncertified portion ($5,861,102) of the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of July 1, 2026, of $220,498,099, are not available from the Appraisal District as of the date hereof. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2026 Taxable Assessed Valuation	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation
Land	$ 35,666,878	$ 37,775,366	$ 29,721,579	$ 26,634,719	$ 21,251,300
Improvements	185,412,415	171,794,053	153,780,547	142,501,832	103,859,111
Personal Property	1,107,950	1,138,680	1,055,375	950,370	1,779,810
Exemptions	(29,576,329)	(20,001,347)	(17,209,266)	(22,060,934)	(12,387,547)
Total Certified	$ 192,610,914	$ 190,706,752	$ 167,348,235	$ 148,025,987	$ 114,502,674
Uncertified Value	5,861,102	-	-	-	-
Total	$ 198,472,016	$ 190,706,752	$ 167,348,235	$ 148,025,987	$ 114,502,674

Principal Taxpayers

The following table represents the principal taxpayers, the taxable appraised value of such property and the principal taxpayer total as a percentage of the certified portion ($192,610,914) of the 2026 Taxable Assessed Valuation of $198,472,016, which represents ownership as of January 1, 2026. Accurate principal taxpayer lists related to the uncertified portion ($5,861,102) of the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of July 1, 2026, of $220,498,099, are not available from the Appraisal District as of the date hereof.

Taxpayer	2026 Certified Taxable Assessed Valuation	% of the 2026 Certified Taxable Assessed Valuation
Texas City Propco (a)	$ 13,529,370	7.02%
ARHC MMTCTTX01 LLC (b)	6,778,000	3.52%
Costa Mariposa Ltd. (c)	6,050,000	3.14%
Beazer Homes Texas LP (d)(e)	4,064,477	2.11%
KB Home Lone Star Inc. (d)(e)	2,972,910	1.54%
Hwy 66 Partners, Ltd. (d)	1,881,620	0.98%
CastleRock Communities LLC (d)(e)	1,840,504	0.96%
Redhead Rentals LLC (b)	1,687,300	0.88%
Vans Properties I LLC (b)	1,531,250	0.79%
Century Land Holdings of Texas LLC (e)	1,267,218	0.66%
	$ 41,602,649	21.60%

(a) Skilled nursing facility. See "THE DISTRICT—Status of Development."
(b) Medical facility. See "THE DISTRICT—Status of Development."
(c) The Cove at Palmer Point (formerly known as the Costa Mariposa Apartments) was funded and constructed under the federal low income housing tax credit program and qualify for an exemption of fifty percent (50%) of the appraised value thereof. Such amount reflects the reduction in taxable value. See "THE DISTRICT—Status of Development," "TAX DATA—Tax Exemptions," "INVESTMENT CONSIDERATIONS—Certain Tax Exemptions Provided for Affordable Housing."
(d) See "THE DEVELOPERS AND MAJOR PROPERTY OWNERS."
(e) See "THE DISTRICT—Homebuilding."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of 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 $198,472,016 ($192,610,914 of certified value and $5,861,102 of uncertified value) or the Estimated Taxable Assessed Valuation as of July 1, 2026, of $220,498,099. 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 "INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates."

Average Annual Debt Service Requirement (2027-2049)	$1,414,158
$0.76 Tax Rate on the 2026 Taxable Assessed Valuation	$1,432,968
$0.68 Tax Rate on the Estimated Taxable Assessed Valuation as of July 1, 2026	$1,424,418
Maximum Annual Debt Service Requirement (2028)	$1,867,919
$1.00 Tax Rate on the 2026 Taxable Assessed Valuation	$1,885,484
$0.90 Tax Rate on the Estimated Taxable Assessed Valuation as of July 1, 2026	$1,885,259

No representation or suggestion is made that the uncertified portion ($5,861,102) of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 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 Outstanding Bonds, the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS—Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the 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 and for the payment of certain contractual obligations. See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State 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 sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board (the "Over 65/Disabled Exemption"). The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. For tax year 2026, the District adopted an Over 65/Disabled exemption of $20,000. 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 twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. For tax year 2026, the District did not adopt a general residential homestead exemption. See "TAX DATA."

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

Tax Abatement

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

District and Taxpayer Remedies

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

The Property Tax Code 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 in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, 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 tax payer 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.

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For tax year 2026, the District is designated as a "Developing District." The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of 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 above under "—Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights 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. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS—General" and "—Tax Collection Limitations and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

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 Bonds (the "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" herein.

Dependence on Principal Taxpayers

The ten top taxpayers represent $41,602,649 or 21.60% of the certified portion ($192,610,914) of the 2026 Taxable Assessed Valuation of $198,472,016 within the District as of January 1, 2026. See "THE DEVELOPERS AND MAJOR PROPERTY OWNERS" and "TAX DATA—Principal Taxpayers." The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay taxes in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect upon the District's ability to pay debt service on the Bonds. See "—Tax Collection Limitations" herein.

Undeveloped Acreage and Vacant Lots

There are approximately 43 developable acres of land in the District (including approximately 25 acres served by perimeter underground trunkline water, wastewater and drainage facilities) and 218 developed lots remain vacant as of August 5, 2026. Failure of the Developers to develop the developable land or of builders to construct taxable improvements on developed tracts could restrict the rate of growth or taxable values in the District. The District makes no representation as to when or if development of this acreage or building on developed tracts will occur. See "THE DISTRICT—Land Use."

Developers/Property Owners Obligation to the District

There are no commitments from or obligations of the Developers or any other landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or 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 Developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developers or homebuilders.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of multi-family properties, single-family residences, developed lots and commercial improvements. The market value of such properties is related to general economic conditions in the City, the Houston-Galveston region, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for multi-family dwellings, commercial properties, and residential lots of this type and the construction thereon can be significantly affected by factors such as interest rates, credit availability (see "—Credit Market and Liquidity in the Financial Markets" below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed. Decreased levels of construction activity could tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are 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 35 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 Houston metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of the 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 35 miles from downtown Houston, could be affected by competition from other residential developments located in the southern portion of the 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 Developers 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 Developers will be implemented or, if implemented, will be successful.

Certain Tax Exemptions Provided for Affordable Housing

Certain multi-family housing may be exempt from ad valorem taxation by the District pursuant to Chapter 303 of the Texas Local Government Code (the "PFC Act"), Chapter 392 of the Texas Local Government Code (the "Housing Authority Act"), Chapter 394 of the Texas Local Government Code (the "HFC Act"), or other statutory provisions, if certain conditions are met.

The PFC Act authorizes cities, counties, school districts, housing authorities and special districts (a "Sponsor") to create a sponsored Public Facility Corporation ("PFC") to acquire, construct, rehabilitate, renovate, repair, equip, furnish and place in service public facilities. These activities may be financed through certain obligations of either the Sponsor or the PFC. Under the PFC Act, a "public facility" includes any real, personal, or mixed property, or an interest in property devoted or to be devoted to public use, and authorized to be financed under the PFC Act. A public facility, including a leasehold estate in a public facility, that is owned by a PFC is exempt from taxation by the State or a municipality or other political subdivision of the State, including the District. This exemption applies to both ad valorem and sales taxes levied by such taxing authorities.

Subject to certain restrictions, a leasehold or other possessory interest granted by the PFC to the user of a PFC-owned multifamily residential development entitles that user to this same exemption. A PFC project approved on or after June 18, 2023, does not qualify for an exemption with respect to taxes imposed by a conservation and reclamation district providing water, sewer, or drainage services to the development, unless an agreement is entered into with the district concerning payments in lieu of taxation. Projects for which PFC or Sponsor approval was received prior to the effective date of H.B. 2071 are governed by the prior law and are not subject to the same requirements. The District is not aware of any public facilities located within the boundaries of the District that are either owned or leased by a PFC.

The HFC Act provides for the formation of housing finance corporations ("HFCs") by municipalities and counties for the purpose of providing decent, safe, and sanitary housing at affordable prices to residents of local governments. Public property owned by an HFC, including property for which an HFC holds an equitable interest, is exempt from taxes imposed by the state or any political subdivision of the state, including conservation and reclamation districts such as the District, provided certain conditions are met under the HFC Act. This exemption applies to both ad valorem and sales taxes levied by taxing authorities where the qualified project is located. Section 394.904(d) (as added by H.B. 21, 89th Texas Legislature, Regular Session) provides in part that, for property acquired by an HFC after May 28, 2025, such ad valorem tax exemptions do not apply to taxes levied by a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the multifamily residential development owned by the HFC, unless the applicable HFC has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement. Further, property acquired by an HFC prior to May 28, 2025, may become subject to taxation by a conservation and reclamation district in future tax years unless certain additional requirements are met under the HFC Act. The District is not aware of any public property located within the boundaries of the District that is owned by a HFC.

The Housing Authority Act authorizes cities and counties to create housing authorities to provide safe and sanitary housing for persons of low income within the area of operation of the housing authority. Multi-family property owned by a housing authority, including property for which a housing authority holds an equitable interest, is exempt from all taxes and special assessments of a city, county, the state, or another political subdivision, including conservation and reclamation districts such as the District, if certain conditions are met under the Housing Authority Act. The District is not aware of any public property located within the boundaries of the District that is owned by a housing authority.

Under Section 11.1825 of the Texas Tax Code, The Cove at Palmer Point (formerly known as the Costa Mariposa Apartments) is entitled to an exemption from ad valorem taxes equal to 50% of the appraised value thereof for in exchange for providing housing to individuals or families meeting certain income eligibility criteria. If any multi-family development within the District is designated as an affordable housing apartment community and exempted from property taxes under various statutory provisions, the District may have to make adjustments to its maintenance and operations tax rate to maintain adequate operating reserves or its debt service tax rate to adequately provide funds to pay the principal and interest on its then Outstanding Bonds.

Possible Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2026 Taxable Assessed Valuation of the District is $198,472,016 ($192,610,914 of certified value and $5,861,102 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be $1,867,919 (2028) and the average annual debt service requirement will be $1,414,158 (2027-2049, inclusive). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of $1.00 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $1,867,919 and a tax rate of $0.76 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,414,158. The Estimated Taxable Assessed Valuation as of July 1, 2026, is $220,498,099. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of July 1, 2026, and no use of funds other than tax collections, a tax rate of $0.90 per $100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of $1,867,919 and a tax rate of $0.68 per $100 of

taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of $1,414,158. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2026 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of July 1, 2026, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX DATA—Tax Adequacy for Debt Service" and "TAX PROCEDURES."

No representation or suggestion is made that the uncertified portion of the 2026 Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of July 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."

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 reimbursement with Bond proceeds, the District will continue to owe the Developers approximately $2,285,000 plus interest for existing water, wastewater and storm drainage facilities (excluding capital recovery fees payable to the City). The District expects to issue additional bonds in order to reimburse the Developers for their outstanding obligations and the cost of additional water, wastewater and storm drainage facilities (and capital recovery fees payable to the City) constructed to serve the undeveloped portion of the District. The District's voters have authorized a total of $43,295,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater, and storm drainage facilities, $16,295,000 principal amount of unlimited tax bonds for refunding bonds issued for such purposes, and an additional $3,000,000 principal amount of unlimited tax bonds for purchasing and constructing parks and recreational facilities. After the issuance of the Bonds, $20,995,000 principal amount of unlimited tax bonds for purchasing and constructing water, wastewater and storm drainage facilities will remain authorized but unissued, $16,295,000 principal amount of unlimited tax bonds for refunding purposes will remain authorized but unissued and no authorization will remain for purchasing and constructing parks and recreational facilities. The outstanding principal amount of park bonds may not exceed an amount equal to one percent (1%) of the value of the taxable property in the District, 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 can exceed one percent (1%) but not greater than three percent (3%) of the value of taxable property in the District. 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; however, the issuance of additional bonds for purchasing and constructing water, wastewater, and storm drainage facilities and/or park and lake amenities 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.

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, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days.

According to the Engineer, the District's water and sewer system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, to the best of the District's knowledge, no homes, apartments or commercial improvements within the District experienced structural flooding or other material damage as a result of Hurricane Harvey.

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 in 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.

Hurricanes or Other Catastrophic Loss

The District is located approximately seven miles from Galveston Bay. Land located in this area could be susceptible to storm surge caused by a hurricane. Hurricanes can cause increased flooding, particularly in coastal areas such as the area where the District is located. Hurricanes also can cause windstorm and other damage, and hurricane-induced flooding can submerge roadways connecting coastal areas such as the District with inland areas, thus preventing evacuations of persons or property. If a hurricane (or any other natural disaster) destroyed all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. Further, there can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected. The Gulf Coast region in which the District is located is subject to occasional destructive weather. There can be no assurance the District will not endure damage from future meteorological events.

Specific Flood Type Risks

The District may be subject to the following flood risks:

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

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

Coastal (or Storm Surge) Flood: Coastal or storm surge flooding occurs when water levels 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 coastal areas. Extreme flooding can occur in coastal areas particularly when storm surge coincides with normal high tide.

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.

Tax Collection Limitations and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "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 Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission 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 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.

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."

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.

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.

Changes in Tax Legislation

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

Risk Factors on Municipal Bond Insurance

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

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

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

Neither the District nor the 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 strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings held incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District also will furnish the approving legal opinion of Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel, to the effect that, (i) based upon an examination of such transcript, the Bonds are legal, valid and binding obligations of the District and are payable from the proceeds of an annual ad valorem tax, without limit as to rate or amount, levied on all taxable property in the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity and (ii) assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds, that interest on the Bonds is excludable from gross income for Federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "TAX MATTERS—Tax Exemption." Bond Counsel's opinion also addresses the matters described under "TAX MATTERS—Tax Exemption." Such opinion expresses no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

In addition to serving as Bond Counsel, Wallace & Philbin, L.L.P. also serves as general counsel to the District on matters not related to the issuance of bonds. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

Legal Review

In its capacity as Bond Counsel, Wallace & Philbin, L.L.P. has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "THE BONDS," "UTILITY SERVICES AGREEMENT," "THE DISTRICT—General," "MANAGEMENT OF THE DISTRICT—District Consultants—*Bond Counsel/Attorney*," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information fairly summarizes the procedures and documents referred to therein and is in accordance with applicable state and federal law with regard to the sale of the Bonds. Such firm has not independently verified factual information contained in this OFFICIAL STATEMENT, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this OFFICIAL STATEMENT. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

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 have been supplemented or amended through the date of sale.

No-Litigation Certificate

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

TAX MATTERS

Tax Exemption

On the date of initial delivery of the Bonds, Wallace & Philbin, LLP, Houston, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") interest on the Bonds: (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code (the "Code"), of the owners thereof for federal income tax purposes; and (2) will not be included in the alternative minimum taxable income of individuals under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) the District's no-arbitrage certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds, and certain other matters. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Collateral Federal Income Tax Consequences

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax- exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Tax Accounting Treatment of Original Issue Discount and Premium on Certain Bonds

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

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

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

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

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 for tax-exempt obligations issued in 2026.

The District has designated the Bonds as "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.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company ("BAM"). Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "Baa3" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's. See "INVESTMENT CONSIDERATIONS—Risk Factors on Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

The ratings reflect only the view of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue its municipal bond insurance policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: https://bambonds.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.6 million, $295.6 million and $210.0 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this OFFICIAL STATEMENT has been obtained primarily from the District's records, the Developers, 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 retained 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 firm 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 Sherrington-Humble, LLC and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's financial statements for the year ending May 31, 2025, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's audited financial statements for the year ended May 31, 2025.

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 Fund" has been provided by McLennan & Associates, L.P., 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 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 updated financial information and operating data annually to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" (except "—Estimated Overlapping Debt"), "TAX DATA," and in "APPENDIX A" (Financial Statements of the District). The District will update and provide this information within six months after the end of each of its fiscal years ending in and after 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule").

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

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax 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 make 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 an 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 Registered 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 under "—Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance With Prior Undertakings

During the last five years, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12 with the following exceptions. On March 18, 2022, Moody's Investors Service, Inc. upgraded the insurance financial strength rating of Assured Guaranty Inc. from "A2" to "A1." The District timely filed an event notice for such rating change on March 30, 2022; however, such filing was not linked to certain CUSIP numbers for the District's Unlimited Tax Bonds, Series 2020. The ratings upgrade was refiled to include the missed CUSIP numbers, and the appropriate notice of late filing was made on August 3, 2025. The District failed to timely file its annual financial operating data for the fiscal year ended May 31, 2023. Under the District's continuing disclosure obligations, such operating data was due November 30, 2023, but it was not filed until August 3, 2025. The District filed a notice of such failure to file on the same date. In addition, the District's annual financial operating data for the fiscal year ended May 31, 2024 was due November 30, 2024. The District made such filing, but filed such report again on December 4, 2024 to include some omitted information and update other information. The District filed a notice of such failure to file on August 3, 2025. The District has adopted procedures to ensure future disclosures are prepared and submitted in a timely manner.

MISCELLANEOUS

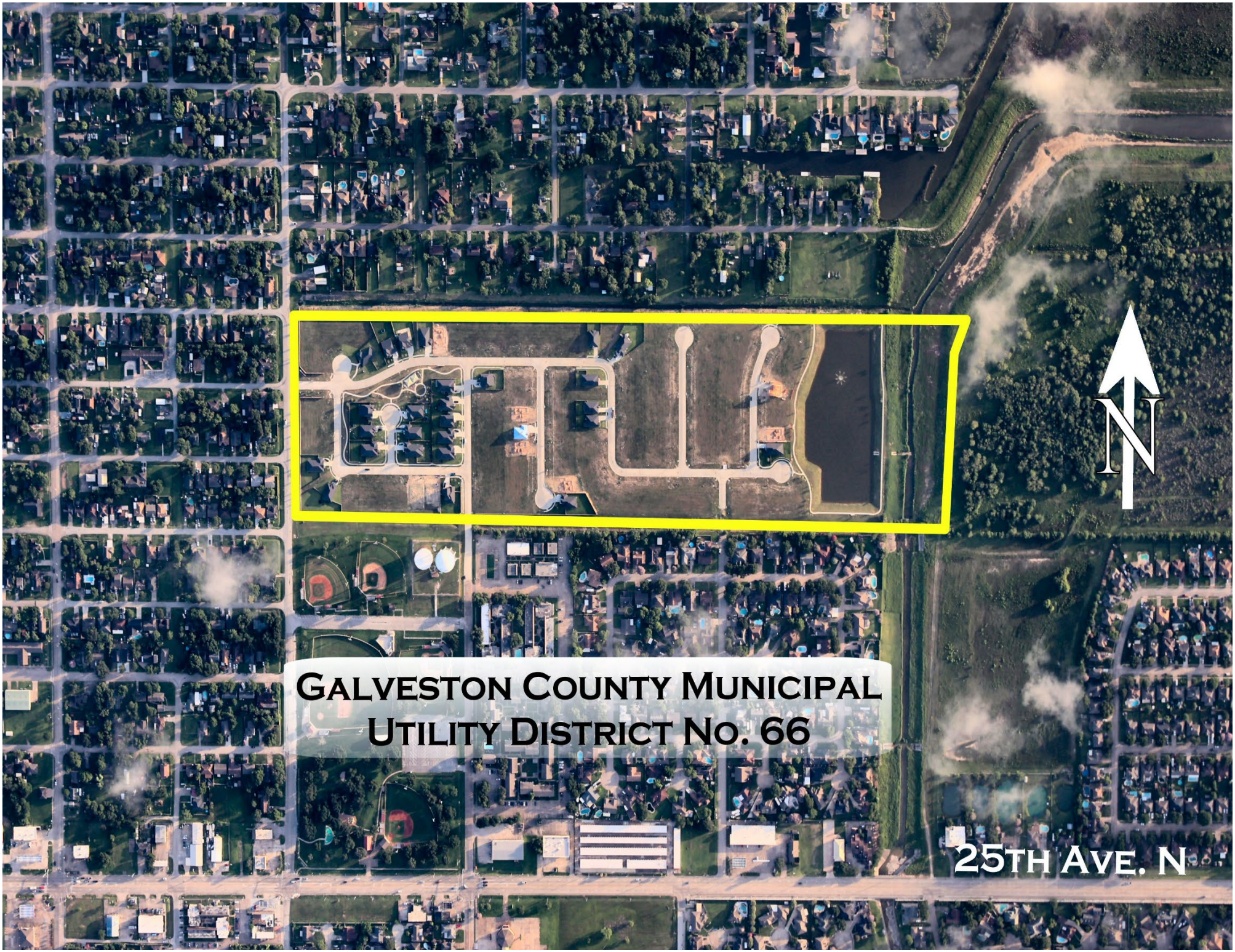
All estimates, statements and assumptions in this OFFICIAL STATEMENT and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this OFFICIAL STATEMENT involving matters of opinion or estimates, whether or not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

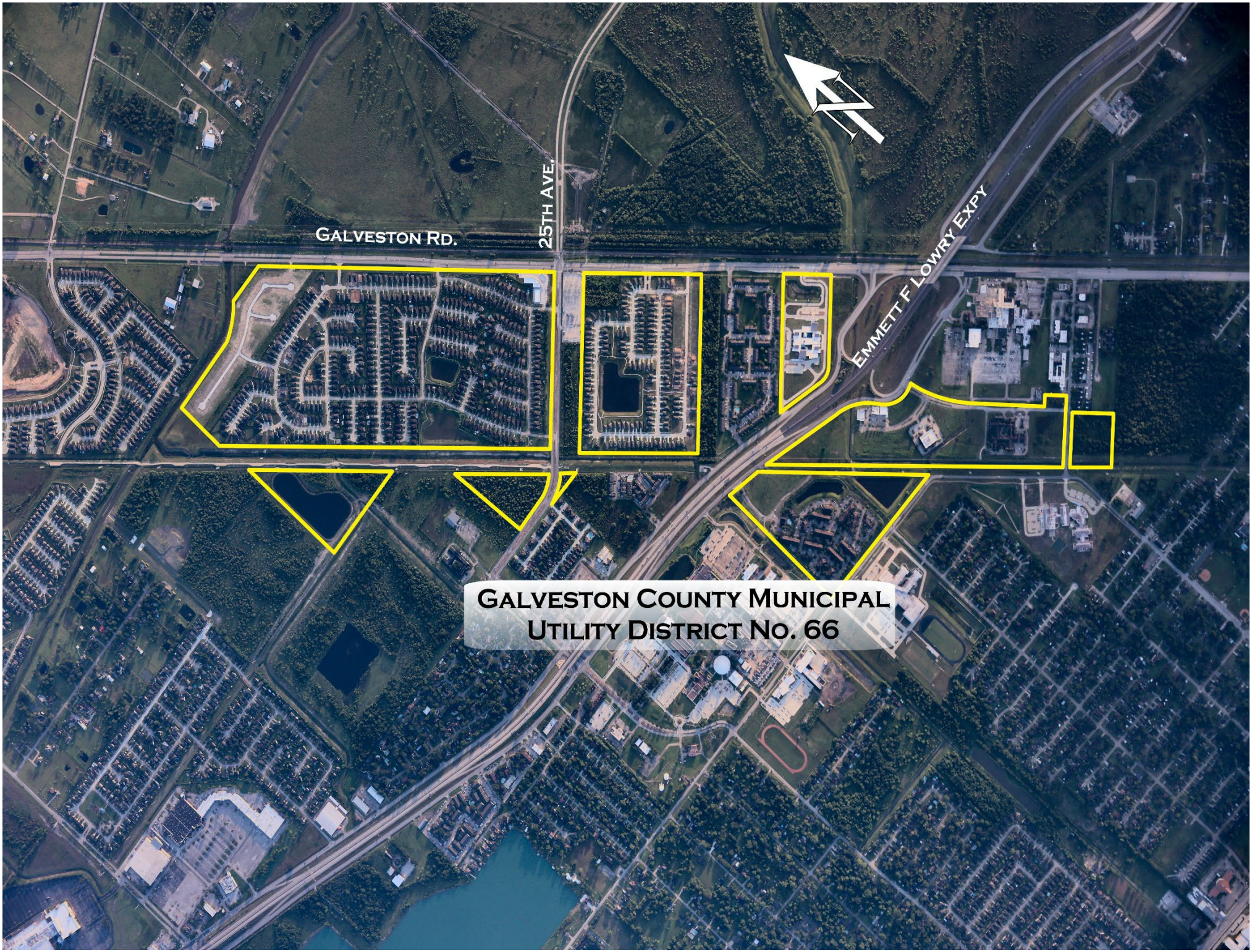
/s/ Jeffrey M. Cravey
President, Board of Directors

ATTEST:

/s/ Joe P. Jameson
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of July 2026)


Galveston County Municipal
Utility District No. 66
N
25th Ave. N


Galveston Rd.
25th Ave.
Emmett F Lowry Expy
N
Galveston County Municipal
Utility District No. 66

PHOTOGRAPHS OF THE DISTRICT
(As of July 2026)

8104
CENTURY
ATTENTION
ATENCION

8112

SOLD

homeGUARD

Sold
kb
Sold

THE COVE AT
PALMER POINT
7555 MEDICAL CENTER DR

MAINLAND MEDICAL
ARTS PAVILION
Village Medical
PRIMARY CARE
Quest Diagnostics
PRINCIPLE
MAINLAND MEDICAL ARTS PAVILION
7111 MEDICAL CENTER DRIVE

FOR LEASE
FOR INFORMATION
832-956-0547
eXp COMMERCIAL
JASON SUCHECKI

APPENDIX A

Financial Statement of the District for the Fiscal year Ended May 31, 2025

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 66

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2025

Table of Contents

	Schedule	Page
Independent Auditor's Report		1
Management's Discussion and Analysis		7
BASIC FINANCIAL STATEMENTS		
Statement of Net Position and Governmental Funds Balance Sheet		16
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances		17
Notes to Financial Statements		19
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund		34
Notes to Required Supplementary Information		35
TEXAS SUPPLEMENTARY INFORMATION		
Services and Rates	TSI-1	38
General Fund Expenditures	TSI-2	40
Investments	TSI-3	41
Taxes Levied and Receivable	TSI-4	42
Long-Term Debt Service Requirements by Years	TSI-5	43
Change in Long-Term Bonded Debt	TSI-6	50
Comparative Schedule of Revenues and Expenditures – General Fund	TSI-7a	52
Comparative Schedule of Revenues and Expenditures – Debt Service Fund	TSI-7b	54
Board Members, Key Personnel and Consultants	TSI-8	56

McGRATH & CO., PLLC
Certified Public Accountants
2900 North Loop West, Suite 880
Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Galveston County Municipal Utility District No. 66
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. 66 (the "District"), as of and for the year ended May 31, 2025, 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. 66, as of May 31, 2025, 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.

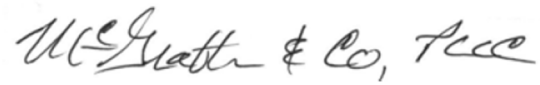
Required Supplementary Information

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
September 18, 2025

(This page intentionally left blank)

Management's Discussion and Analysis

(This page intentionally left blank)

Using this Annual Report

This section of the financial report of Galveston County Municipal Utility District No. 66 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended May 31, 2025. 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 May 31, 2025, was negative $11,438,607. The District's net position is negative because the District incurs debt to construct water, sewer, and drainage facilities which it conveys to the City of Texas City. A comparative summary of the District's overall financial position, as of May 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	$ 3,675,978	$ 3,459,654
Capital assets	3,527,105	3,279,234
Total assets	7,203,083	6,738,888
Current liabilities	645,875	655,654
Long-term liabilities	17,995,815	16,943,437
Total liabilities	18,641,690	17,599,091
Net position		
Net investment in capital assets	(374,198)	(342,271)
Restricted	1,669,017	1,431,733
Unrestricted	(12,733,426)	(11,949,665)
Total net position	$ (11,438,607)	$ (10,860,203)

The total net position of the District decreased during the current fiscal year by $578,404. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
Property taxes, penalties and interest	$ 1,546,439	$ 1,370,148
Other	147,734	149,559
Total revenues	1,694,173	1,519,707
Expenses		
Operating and administrative	193,038	109,003
Debt interest and fees	454,260	472,865
Developer interest	15,162	43,262
Amortization	52,504	43,117
Total expenses	714,964	668,247
Change in net position before other item	979,209	851,460
Other item		
Transfers to other governments	(1,557,613)	(2,442,316)
Change in net position	(578,404)	(1,590,856)
Net position, beginning of year	(10,860,203)	(9,269,347)
Net position, end of year	$ (11,438,607)	$ (10,860,203)

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2025, were $3,572,458, which consists of $1,460,299 in the General Fund, $1,717,470 in the Debt Service Fund and $394,689 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of May 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 1,497,771	$ 1,222,456
Total liabilities	$ 21,374	$ 24,138
Total deferred inflows	16,098	11,145
Total fund balance	1,460,299	1,187,173
Total liabilities, deferred inflows and fund balance	$ 1,497,771	$ 1,222,456

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

	2025	2024
Total revenues	$ 428,192	$ 294,039
Total expenditures	(155,066)	(435,064)
Revenues over/(under) expenditures	$ 273,126	$ (141,025)

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

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of May 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 1,783,518	$ 1,553,249
Total liabilities	$ 3,118	$ 5,216
Total deferred inflows	62,930	52,025
Total fund balance	1,717,470	1,496,008
Total liabilities, deferred inflows and fund balance	$ 1,783,518	$ 1,553,249

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

	2025	2024
Total revenues	$ 1,221,025	$ 1,166,996
Total expenditures	(999,563)	(815,797)
Revenues over expenditures	$ 221,462	$ 351,199

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues. 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 May 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	$ 394,689	$ 683,949
Total fund balance	$ 394,689	$ 683,949

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

	2025	2024
Total revenues	$ 29,099	$ 34,576
Total expenditures	(318,359)	
Revenues over/(under) expenditures	$ (289,260)	$ 34,576

During the current year, the District used $315,537 in surplus funds from the issuance of its Series 2023 Unlimited Tax Bonds to reimburse a developer for water and wastewater impact fees paid to the City of Texas City, Texas. In the prior year, the District did not have any significant capital asset activity.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $5,510 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 financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

Capital assets held by the District at May 31, 2025 and 2024, are summarized as follows:

	2025	2024
Capital assets not being depreciated		
Land and improvements	$ 1,882,239	$ 1,882,239
Capital assets being amortized		
Impact fees	1,862,538	1,562,163
Less accumulated amortization	(217,672)	(165,168)
Amortizable capital assets, net	1,644,866	1,396,995
Capital assets, net	$ 3,527,105	$ 3,279,234

Capital asset additions during the current fiscal year include impact fees paid to the City of Texas City.

The District and the City of Texas City (the "City") have entered into an agreement which obligates the District to construct water, wastewater, and certain storm drainage facilities to serve the District and, when completed, to convey title to the facilities to the City. Detention facilities and certain other capital assets are retained by the District. For the year ended May 31, 2025, capital assets in the amount of $1,557,613 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 11.

Long-Term Debt and Related Liabilities

As of May 31, 2025, the District owes approximately $6,932,051 to its developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of $630,000 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developers are reimbursed.

At May 31, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series	2025	2024
2014	$ 1,540,000	$ 1,600,000
2016	1,465,000	1,555,000
2018	2,045,000	2,130,000
2020	2,190,000	2,275,000
2023	4,410,000	4,600,000
	$ 11,650,000	$ 12,160,000

At May 31, 2025, the District had $29,520,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $3,000,000 for parks and recreational facilities; and $16,295,000 for refunding purposes.

Property Taxes

The District's property tax base increased approximately $14,558,000 for the 2025 tax year from $169,634,583 to $184,192,128. This increase was primarily due to new construction in the District and increased property values.

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:

	2025 Actual	2026 Budget
Total revenues	$ 428,192	$ 371,796
Total expenditures	(155,066)	(125,764)
Revenues over expenditures	273,126	246,032
Beginning fund balance	1,187,173	1,460,299
Ending fund balance	$ 1,460,299	$ 1,706,331

(This page intentionally left blank)

Basic Financial Statements

Galveston County Municipal Utility District No. 66
Statement of Net Position and Governmental Funds Balance Sheet
May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	$ 6,656	$ 46,314	$ 30,734	$ 83,704	$ -	$ 83,704
Investments	1,466,081	1,683,210	363,955	3,513,246		3,513,246
Taxes receivable	16,098	62,930		79,028		79,028
Internal balances	8,936	(8,936)				
Capital assets not being depreciated					1,882,239	1,882,239
Capital assets, net					1,644,866	1,644,866
Total Assets	$ 1,497,771	$ 1,783,518	$ 394,689	$ 3,675,978	3,527,105	7,203,083
Liabilities						
Accounts payable	$ 9,577	$ -	$ -	$ 9,577		9,577
Other payables	11,797	3,118		14,915		14,915
Accrued interest payable					111,383	111,383
Due to developers					6,932,051	6,932,051
Long-term debt						
Due within one year					510,000	510,000
Due after one year					11,063,764	11,063,764
Total Liabilities	21,374	3,118		24,492	18,617,198	18,641,690
Deferred Inflows of Resources						
Deferred property taxes	16,098	62,930		79,028	(79,028)	
Fund Balances/Net Position						
Fund Balances						
Restricted		1,717,470	394,689	2,112,159	(2,112,159)	
Unassigned	1,460,299			1,460,299	(1,460,299)	
Total Fund Balances	1,460,299	1,717,470	394,689	3,572,458	(3,572,458)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,497,771	$ 1,783,518	$ 394,689	$ 3,675,978		
Net Position						
Net investment in capital assets					(374,198)	(374,198)
Restricted for debt service					1,669,017	1,669,017
Unrestricted					(12,733,426)	(12,733,426)
Total Net Position					$ (11,438,607)	$ (11,438,607)

See notes to basic financial statements.

Galveston County Municipal Utility District No. 66
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances
For the Year Ended May 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Property taxes	$ 368,235	$ 1,145,268	$ -	$ 1,513,503	$ 13,164	$ 1,526,667
Penalties and interest		17,079		17,079	2,693	19,772
Investment earnings	59,957	58,678	29,099	147,734		147,734
Total Revenues	428,192	1,221,025	29,099	1,678,316	15,857	1,694,173
Expenditures/Expenses						
Operating and administrative						
Professional fees	84,231		2,500	86,731		86,731
Contracted services	19,800	28,710		48,510		48,510
Administrative	50,816	1,870	322	53,008		53,008
Other	219	4,570		4,789		4,789
Capital outlay			300,375	300,375	(300,375)	
Debt service						
Principal		510,000		510,000	(510,000)	
Interest and fees		454,413		454,413	(153)	454,260
Developer interest			15,162	15,162		15,162
Amortization					52,504	52,504
Total Expenditures/Expenses	155,066	999,563	318,359	1,472,988	(758,024)	714,964
Revenues Over (Under) Expenditures/Expenses	273,126	221,462	(289,260)	205,328	773,881	979,209
Other Items						
Transfers to other governments					(1,557,613)	(1,557,613)
Net Change in Fund Balances	273,126	221,462	(289,260)	205,328	(205,328)	
Change in Net Position					(578,404)	(578,404)
Fund Balance/Net Position						
Beginning of the year	1,187,173	1,496,008	683,949	3,367,130	(14,227,333)	(10,860,203)
End of the year	$ 1,460,299	$ 1,717,470	$ 394,689	$ 3,572,458	$ (15,011,065)	$ (11,438,607)

See notes to basic financial statements.

(This page intentionally left blank)

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Galveston County Municipal Utility District No. 66 (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 January 18, 2006, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on September 6, 2006 and the first bonds were issued on May 22, 2014.

The District's primary activities include construction, sewer and drainage facilities. As further discussed in Note 11, the District transfers these facilities to the City of Texas City for operation and maintenance upon completion of construction. Certain detention facilities (ponds, lakes, open ditches and drainage channels) constructed by the District will be maintained by outside entities for the benefit of the District. 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. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District's water, sewer and drainage facilities.

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

Measurement Focus and Basis of Accounting

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

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

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

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.

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 May 31, 2025, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost 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 impact fees, are amortized using the straight-line method over the life of the District's contract with the City of Texas City. 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.

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

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

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

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 developers; the value of capital assets transferred to the City of Texas City and the value of capital assets for which the developers have not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 3,572,458
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 3,744,777	
Less accumulated amortization	(217,672)	
		3,527,105
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	(111,383)	
Due to developers	(6,932,051)	
Bonds payable, net	(11,573,764)	
		(18,617,198)
Deferred inflows in the fund statements consist of property taxes receivable and related penalties and interest 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.		79,028
Total net position - governmental activities		$ (11,438,607)

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		$ 205,328
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 is for property taxes and related penalties and interest.		15,857
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	$ 300,375	
Transfers to other governments	(1,557,613)	
Amortization expense	(52,504)	
		(1,309,742)
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:		
Principal payments - bonds	510,000	
Interest expense accrual	153	
		510,153
Change in net position of governmental activities		$ (578,404)

Note 3 – Implementation of New Accounting Guidance

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

Note 4 – Deposits and Investments

Deposit Custodial Credit Risk

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

Use of Surplus Funds

During the current fiscal year, the District used surplus funds in the amount of $315,537 from the Series 2023 Unlimited Tax Bonds to reimburse a developer for water and wastewater impact fees paid to the City of Texas City, Texas plus interest expense at the net effective interest rate of the bonds.

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 May 31, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Percentage of Total	Rating	Weighted Average Maturity
TexPool	General	$ 5,720			
	Debt Service	5,720			
		11,440	1%	AAAm	42 days
Texas CLASS	General	1,460,361			
	Debt Service	1,677,490			
	Capital Projects	363,955			
		3,501,806	99%	AAAm	34 days
Total		$ 3,513,246	100%		

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Texas CLASS

The District also participates in Texas Cooperative Liquid Assets Securities System (Texas CLASS). Texas CLASS is managed by an elected Board of Trustees consisting of members of the pool. Additionally, the Board of Trustees has established an advisory board, the function of which is to provide guidance on investment policies and strategies. The Board of Trustees has selected Public Trust Advisors, LLC as the program administer and UMB Bank N.A., as the custodian.

The District's investment in Texas CLASS is reported at fair value because Texas CLASS uses fair value to report investments (other than repurchase agreements which are valued at amortized cost). Governmental accounting standards establish the following hierarchy of inputs used to measure fair value: Level 1 inputs are based on quoted prices in active markets, Level 2 inputs are based on significant other observable inputs, and Level 3 inputs are based on significant unobservable inputs.

The District's investment in Texas CLASS is measured using published fair value per share (level 1 inputs).

Investments in Texas CLASS 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 5 – Interfund Balances and Transactions

Amounts due to/from other funds at May 31, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 8,936	Over transfer from General Fund to the Debt Service Fund and maintenance tax collections not remitted as of year end

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

Note 6 – Capital Assets

A summary of changes in capital assets, for the year ended May 31, 2025, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 1,882,239	$ -	$ 1,882,239
Capital assets being amortized			
Impact fees	1,562,163	300,375	1,862,538
Less accumulated amortization	(165,168)	(52,504)	(217,672)
Subtotal amortizable capital assets, net	1,396,995	247,871	1,644,866
Capital assets, net	$ 3,279,234	$ 247,871	$ 3,527,105

Amortization expense for the current fiscal year was $52,504.

Note 7 – Due to Developers

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

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

Due to developer, beginning of year	$ 5,374,438
Developer reimbursements	(300,375)
Developer funded construction and adjustments	1,857,988
Due to developer, end of year	$ 6,932,051

In addition, the District will owe the developers approximately $630,000, which is included in the schedule of contractual commitments below. The projects in this schedule are in varying stages of completion and, as previously noted, will be reported in the government-wide financial statement upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District auditor.

	Contract Amount*
Utilities to serve Vida Costera - Section 3	$ 630,000

*Rounded to the nearest $10,000.

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 11,650,000
Unamortized discounts	(76,236)
	$ 11,573,764
Due within one year	$ 510,000

The District's bonds payable at May 31, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2014	$ 1,540,000	$ 2,000,000	3.50 - 5.25%	September 1, 2015/2040	September 1, March 1	September 1, 2022
2016	1,465,000	2,185,000	2.00 - 4.35%	September 1, 2017/2040	September 1, March 1	September 1, 2023
2018	2,045,000	2,490,000	3.00 - 4.125%	September 1, 2019/2041	September 1, March 1	September 1, 2024
2020	2,190,000	2,500,000	2.00 - 4.50%	September 1, 2021/2043	September 1, March 1	September 1, 2025
2023	4,410,000	4,600,000	4.00%	September 1, 2024/2047	September 1, March 1	September 1, 2029
	$ 11,650,000					

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 May 31, 2025, the District had authorized but unissued bonds in the amount of $29,520,000 for water, sewer and drainage facilities; $3,000,000 for park and recreational facilities, and $16,295,000 for refunding purposes.

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

Bonds payable, beginning of year	$ 12,160,000
Bonds retired	(510,000)
Bonds payable, end of year	$ 11,650,000

As of May 31, 2025, annual debt service requirements on bonds outstanding are as follows:

Fiscal Year Ending May 31	Principal	Interest	Totals
2026	$ 510,000	$ 430,619	$ 940,619
2027	525,000	411,263	936,263
2028	535,000	392,126	927,126
2029	545,000	372,351	917,351
2030	550,000	352,251	902,251
2031	565,000	331,614	896,614
2032	580,000	310,263	890,263
2033	590,000	288,370	878,370
2034	605,000	265,782	870,782
2035	620,000	242,444	862,444
2036	630,000	218,444	848,444
2037	650,000	193,538	843,538
2038	670,000	167,727	837,727
2039	685,000	141,250	826,250
2040	705,000	113,978	818,978
2041	725,000	85,723	810,723
2042	495,000	62,581	557,581
2043	340,000	48,184	388,184
2044	345,000	36,881	381,881
2045	195,000	27,300	222,300
2046	195,000	19,500	214,500
2047	195,000	11,700	206,700
2048	195,000	3,900	198,900
	$ 11,650,000	$ 4,527,789	$ 16,177,789

Note 9 – Property Taxes

On November 7, 2006, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.50 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

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 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of $0.90 per $100 of assessed value, of which $0.22 was allocated to maintenance and operations and

$0.68 was allocated to debt service. The resulting tax levy was $1,526,711 on the adjusted taxable value of $169,634,583.

Property taxes receivable, at May 31, 2025, consisted of the following:

Current year taxes receivable	$ 45,545
Prior years taxes receivable	18,871
	64,416
Penalty and interest receivable	14,612
Property taxes receivable	$ 79,028

Note 10 – Transfers to Other Governments

In accordance with an agreement between the District and the City of Texas City (the "City"), the District transfers all of its water, sewer, and certain drainage facilities to the City (see Note 11). 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 May 31, 2025, the District reported transfers to other governments in the amount of $1,557,613 for projects completed and transferred to the City.

Note 11 – Utility Agreement with the City of Texas City

On August 7, 2007, the District entered into a utility agreement with the City of Texas City (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems and drainage facilities to serve the District. As the system is acquired or constructed, the District shall transfer the system 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 50 years, renewable in one-year increments thereafter.

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 belong to the City.

Detention ponds, amenity lakes, open ditches and drainage channels will be maintained by entities other than the City or District.

Note 12 – 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 13 – Subsequent Event

On September 18, 2025, the District approved the sale of its Series 2025 Unlimited Tax Bonds in the amount of $3,925,000 at a net effective interest rate of 4.442414% and Series 2025A Unlimited Tax Park Bonds in the amount of $3,000,000 at a net effective interest rate of 4.464257%. The bond sales are scheduled to close on October 22, 2025. Proceeds from the bonds will be used to reimburse the District's developers for infrastructure improvements in the District.

Required Supplementary Information

Galveston County Municipal Utility District No. 66
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	$ 227,706	$ 350,000	$ 368,235	$ 18,235
Investment earnings	36,000	36,000	59,957	23,957
Total Revenues	263,706	386,000	428,192	42,192
Expenditures				
Operating and administrative				
Professional fees	60,200	60,200	84,231	(24,031)
Contracted services	16,640	16,640	19,800	(3,160)
Administrative	26,624	26,624	50,816	(24,192)
Other	3,900	3,900	219	3,681
Total Expenditures	107,364	107,364	155,066	(47,702)
Revenues Over Expenditures	156,342	278,636	273,126	(5,510)
Fund Balance				
Beginning of the year	1,187,173	1,187,173	1,187,173	
End of the year	$ 1,343,515	$ 1,465,809	$ 1,460,299	$ (5,510)

Budgets and Budgetary Accounting

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

(This page intentionally left blank)

Texas Supplementary Information

Galveston County Municipal Utility District No. 66
TSI-1. Services and Rates
May 31, 2025

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

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

☐ Participates in joint venture, regional system and/or wastewater service

☒ Other (Specify): Water and sewer services are provided by the City of Texas 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	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	N/A	N/A

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

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

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

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

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

5. Location of District:

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

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

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

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

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

Entirely ☐ Partly ☐ Not at all ☒

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditor's report.

Galveston County Municipal Utility District No. 66
TSI-2. General Fund Expenditures
For the Year Ended May 31, 2025

Professional fees		
Legal	$	41,816
Audit		13,500
Engineering		28,915
		84,231
Contracted services		
Bookkeeping		19,800
Administrative		
Directors fees		7,957
Printing and office supplies		589
Insurance		2,231
Other		40,039
		50,816
Other		219
Total expenditures	$	155,066

See accompanying auditor's report.

Galveston County Municipal Utility District No. 66
TSI-3. Investments
May 31, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	$ 5,720
Texas CLASS	Variable	N/A	1,460,361
			1,466,081
Debt Service			
TexPool	Variable	N/A	5,720
Texas CLASS	Variable	N/A	1,677,490
			1,683,210
Capital Projects			
Texas CLASS	Variable	N/A	363,955
Total - All Funds			$ 3,513,246

See accompanying auditor's report.

Galveston County Municipal Utility District No. 66
TSI-4. Taxes Levied and Receivable
May 31, 2025

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 11,145	$ 40,106	$ 51,251
Adjustments to Prior Year Tax Levy	(7)	(35)	(42)
Adjusted Receivable	11,138	40,071	51,209
2024 Original Tax Levy	361,164	1,116,324	1,477,488
Adjustments	12,032	37,191	49,223
Adjusted Tax Levy	373,196	1,153,515	1,526,711
Total to be accounted for	384,334	1,193,586	1,577,920
Tax collections:			
Current year	362,063	1,119,103	1,481,166
Prior years	6,173	26,165	32,338
Total Collections	368,236	1,145,268	1,513,504
Taxes Receivable, End of Year	$ 16,098	$ 48,318	$ 64,416
Taxes Receivable, By Years			
2024	$ 11,133	$ 34,412	$ 45,545
2023	902	4,286	5,188
2022	800	3,623	4,423
2021 and prior	3,263	5,997	9,260
Taxes Receivable, End of Year	$ 16,098	$ 48,318	$ 64,416

	2024	2023	2022	2021
Property Valuations:				
Land	$ 29,721,579	$ 26,634,719	$ 21,251,300	$ 18,701,270
Improvements	158,399,047	142,501,832	103,859,111	89,454,527
Personal Property	1,055,375	950,370	1,779,810	1,351,940
Exemptions	(19,541,418)	(22,060,934)	(12,387,547)	(10,062,956)
Total Property Valuations	$ 169,634,583	$ 148,025,987	$ 114,502,674	$ 99,444,781
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.22	$ 0.16	$ 0.17	$ 0.35
Debt service tax rates	0.68	0.76	0.77	0.60
Total Tax Rates per $100 Valuation	$ 0.90	$ 0.92	$ 0.94	$ 0.95
Adjusted Tax Levy:	$ 1,526,711	$ 1,361,839	$ 1,076,325	$ 944,725
Percentage of Taxes Collected to Taxes Levied **	97.02%	99.62%	99.59%	99.79%

* Maximum Maintenance Tax Rate Approved by Voters: $1.50 on November 7, 2006

** 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. 66
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 60,000	$ 77,050	$ 137,050
2027	65,000	74,156	139,156
2028	70,000	70,863	140,863
2029	75,000	67,238	142,238
2030	75,000	63,488	138,488
2031	80,000	59,613	139,613
2032	85,000	55,488	140,488
2033	90,000	51,113	141,113
2034	95,000	46,488	141,488
2035	100,000	41,613	141,613
2036	110,000	36,225	146,225
2037	115,000	30,319	145,319
2038	120,000	24,150	144,150
2039	125,000	17,719	142,719
2040	135,000	10,894	145,894
2041	140,000	3,675	143,675
	$ 1,540,000	$ 730,092	$ 2,270,092

See accompanying auditor's report.

Galveston County Municipal Utility District No. 66
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 90,000	$ 56,863	$ 146,863
2027	90,000	53,713	143,713
2028	90,000	50,450	140,450
2029	90,000	47,075	137,075
2030	90,000	43,700	133,700
2031	90,000	40,269	130,269
2032	90,000	36,725	126,725
2033	90,000	33,125	123,125
2034	90,000	29,469	119,469
2035	90,000	25,756	115,756
2036	90,000	22,044	112,044
2037	95,000	18,169	113,169
2038	95,000	14,131	109,131
2039	95,000	10,094	105,094
2040	95,000	6,056	101,056
2041	95,000	2,019	97,019
	$ 1,465,000	$ 489,658	$ 1,954,658

See accompanying auditor's report.

Galveston County Municipal Utility District No. 66
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 85,000	$ 77,650	$ 162,650
2027	90,000	74,750	164,750
2028	95,000	71,569	166,569
2029	95,000	68,244	163,244
2030	100,000	64,769	164,769
2031	105,000	60,988	165,988
2032	110,000	56,956	166,956
2033	115,000	52,738	167,738
2034	120,000	48,181	168,181
2035	125,000	43,281	168,281
2036	125,000	38,281	163,281
2037	130,000	33,181	163,181
2038	140,000	27,781	167,781
2039	145,000	22,081	167,081
2040	150,000	16,088	166,088
2041	155,000	9,798	164,798
2042	160,000	3,300	163,300
	$ 2,045,000	$ 769,636	$ 2,814,636

See accompanying auditor's report.

Galveston County Municipal Utility District No. 66
TSI-5. Long-Term Debt Service Requirements
Series 2020--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 85,000	$ 46,456	$ 131,456
2027	90,000	43,644	133,644
2028	90,000	41,844	131,844
2029	95,000	39,994	134,994
2030	95,000	38,094	133,094
2031	100,000	36,144	136,144
2032	105,000	34,094	139,094
2033	105,000	31,994	136,994
2034	110,000	29,844	139,844
2035	115,000	27,594	142,594
2036	115,000	25,294	140,294
2037	120,000	22,869	142,869
2038	125,000	20,265	145,265
2039	130,000	17,556	147,556
2040	135,000	14,740	149,740
2041	140,000	11,731	151,731
2042	140,000	8,581	148,581
2043	145,000	5,284	150,284
2044	150,000	1,781	151,781
	$ 2,190,000	$ 497,803	$ 2,687,803

See accompanying auditor's report.

Galveston County Municipal Utility District No. 66
TSI-5. Long-Term Debt Service Requirements
Series 2023--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 190,000	$ 172,600	$ 362,600
2027	190,000	165,000	355,000
2028	190,000	157,400	347,400
2029	190,000	149,800	339,800
2030	190,000	142,200	332,200
2031	190,000	134,600	324,600
2032	190,000	127,000	317,000
2033	190,000	119,400	309,400
2034	190,000	111,800	301,800
2035	190,000	104,200	294,200
2036	190,000	96,600	286,600
2037	190,000	89,000	279,000
2038	190,000	81,400	271,400
2039	190,000	73,800	263,800
2040	190,000	66,200	256,200
2041	195,000	58,500	253,500
2042	195,000	50,700	245,700
2043	195,000	42,900	237,900
2044	195,000	35,100	230,100
2045	195,000	27,300	222,300
2046	195,000	19,500	214,500
2047	195,000	11,700	206,700
2048	195,000	3,900	198,900
	$ 4,410,000	$ 2,040,600	$ 6,450,600

See accompanying auditor's report.

Galveston County Municipal Utility District No. 66
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 510,000	$ 430,619	$ 940,619
2027	525,000	411,263	936,263
2028	535,000	392,126	927,126
2029	545,000	372,351	917,351
2030	550,000	352,251	902,251
2031	565,000	331,614	896,614
2032	580,000	310,263	890,263
2033	590,000	288,370	878,370
2034	605,000	265,782	870,782
2035	620,000	242,444	862,444
2036	630,000	218,444	848,444
2037	650,000	193,538	843,538
2038	670,000	167,727	837,727
2039	685,000	141,250	826,250
2040	705,000	113,978	818,978
2041	725,000	85,723	810,723
2042	495,000	62,581	557,581
2043	340,000	48,184	388,184
2044	345,000	36,881	381,881
2045	195,000	27,300	222,300
2046	195,000	19,500	214,500
2047	195,000	11,700	206,700
2048	195,000	3,900	198,900
	$ 11,650,000	$ 4,527,789	$ 16,177,789

See accompanying auditor's report.

(This page intentionally left blank)

Galveston County Municipal Utility District No. 66
TSI-6. Change in Long-Term Bonded Debt
May 31, 2025

	Bond Issue			
	Series 2014	Series 2016	Series 2018	Series 2020
Interest rate	3.50 - 5.25%	2.00 - 4.25%	3.00 - 4.125%	2.00 - 4.50%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1 ; 3/1
Maturity dates	9/1/15 - 9/1/40	9/1/17 - 9/1/40	9/1/19 - 9/1/41	9/1/21 - 9/1/43
Beginning bonds outstanding	$ 1,600,000	$ 1,555,000	$ 2,130,000	$ 2,275,000
Bonds retired	(60,000)	(90,000)	(85,000)	(85,000)
Ending bonds outstanding	$ 1,540,000	$ 1,465,000	$ 2,045,000	$ 2,190,000
Interest paid during fiscal year	$ 79,675	$ 59,900	$ 80,306	$ 50,281
Paying agent's name and city				
All Series	Bank of New York Mellon Trust Company, N.A., Dallas, Texas			

Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds	Parks and Recreational Facilities Bonds
Amount Authorized by Voters	$ 43,295,000	$ 16,295,000	$ 3,000,000
Amount Issued	(13,775,000)		
Remaining To Be Issued	$ 29,520,000	$ 16,295,000	$ 3,000,000

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 May 31, 2025:	$ 1,729,524
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 703,382

See accompanying auditor's report.

Bond Issue Series 2023	Totals
4.00% 9/1 ; 3/1 9/1/24 - 9/1/47	
$ 4,600,000	$ 12,160,000
(190,000)	(510,000)
$ 4,410,000	$ 11,650,000
$ 180,200	$ 450,362

Galveston County Municipal Utility District No. 66
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Property taxes	$ 368,235	$ 233,501	$ 196,225	$ 349,336	$ 261,995
Investment earnings	59,957	60,538	25,927	3,719	2,699
Total Revenues	428,192	294,039	222,152	353,055	264,694
Expenditures					
Operating and administrative					
Professional fees	84,231	56,611	59,129	57,155	51,192
Contracted services	19,800	16,753	15,360	15,360	21,278
Administrative	50,816	13,479	11,160	10,601	12,647
Other	219	3,292	10,583	28	
Capital outlay		301,667			
Debt service					
Developer interest		43,262			
Total Expenditures	155,066	435,064	96,232	83,144	85,117
Revenues Over (Under) Expenditures	$ 273,126	$ (141,025)	$ 125,920	$ 269,911	$ 179,577

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
86%	79%	88%	99%	99%
14%	21%	12%	1%	1%
100%	100%	100%	100%	100%
20%	19%	27%	16%	19%
5%	6%	7%	4%	8%
12%	5%	5%	3%	5%
*	1%	5%	*	
	103%			
	15%			
37%	149%	44%	23%	32%
63%	(49%)	56%	77%	68%

Galveston County Municipal Utility District No. 66
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
Revenues					
Property taxes	$ 1,145,268	$ 1,108,639	$ 874,488	$ 603,977	$ 621,680
Penalties and interest	17,079	3,912	5,968	5,755	8,723
Investment earnings	58,678	54,445	27,369	2,019	2,315
Total Revenues	1,221,025	1,166,996	907,825	611,751	632,718
Expenditures					
Tax collection services	30,580	18,177	19,238	15,693	14,991
Other	4,570	691			
Debt service					
Principal	510,000	305,000	295,000	280,000	205,000
Interest and fees	454,413	491,929	295,200	305,225	266,946
Total Expenditures	999,563	815,797	609,438	600,918	486,937
Revenues Over Expenditures	$ 221,462	$ 351,199	$ 298,387	$ 10,833	$ 145,781

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
94%	95%	96%	99%	99%
1%	*	1%	1%	1%
5%	5%	3%	*	*
100%	100%	100%	100%	100%
3%	2%	2%	3%	2%
*	*			
42%	26%	32%	46%	32%
37%	42%	33%	50%	42%
82%	70%	67%	99%	76%
18%	30%	33%	1%	24%

Galveston County Municipal Utility District No. 66
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2025

Complete District Mailing Address:	6300 West Loop South, Suite 415, Bellaire, TX 77401
District Business Telephone Number:	(713) 395-4200
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	June 17, 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				
Jeffrey M. Cravey	05/22 - 05/26	$ 2,652	$ 16	President
Reneé Koch	05/20 - 05/28	1,105	102	Vice President
Joe P. Jameson	05/22 - 05/26	2,431	1,504	Secretary
Donna Rickenbacker	11/20 - 05/28			Assistant Secretary
Randy Stuewer	05/22 - 05/26	1,768	100	Assistant Vice President

Consultants		Amounts Paid	
Sechrist - Duckers LLP	04/08		Attorney
General legal fees		$ 41,340	
McLennan & Associates, LP	09/06	19,601	Bookkeeper
Assessments of the Southwest, Inc.	11/06	6,562	Tax Collector
Galveston Central Appraisal District	Legislation	15,157	Property Valuation
Perdue, Brandon, Fielder, Collins & Mott, LLP	03/07	6,991	Delinquent Tax Attorney
Sherrington-Humble, Inc.	09/06	16,813	Engineer
McGrath & Co., PLLC	09/16	13,500	Auditor
Masterson Advisors, LLC	04/18		Financial Advisor

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

See accompanying auditor's report.

APPENDIX B
Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $ _____
Total Insurance Payment: $_____

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

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

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

SPECIMEN

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

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

SPECIMEN