OFFICIAL STATEMENT DATED SEPTEMBER 15, 2026

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

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE - Book-Entry-Only

Insured Ratings (AG): S&P "AA" (stable outlook)
Moody's "A1" (stable outlook)
Underlying Rating: Moody's "Baa3"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" herein.

$4,750,000
GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 68

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

UNLIMITED TAX BONDS, SERIES 2026

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

Principal of the bonds described above (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar," "Paying Agent" or "Registrar") in Houston, Texas. Interest on the Bonds accrues from the initial date of delivery (expected on or about October 22, 2026) (the "Date of Delivery"), and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until the earlier of maturity or redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in $5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to 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 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 as described herein. See "BOOK-ENTRY-ONLY SYSTEM."

ASSURED GUARANTY

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 Assured Guaranty Inc. ("AG" or the "Insurer").

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2028	$ 50,000	7.50 %	3.45 %	36423A GS3	2042	$ 130,000 (c)	5.00 %	5.05 %	36423A HG8
2029	55,000	7.50	3.55	36423A GT1	2043	135,000 (c)	5.00	5.09	36423A HH6
2030	60,000	7.50	3.70	36423A GU8	2044	150,000 (c)	5.00	5.10	36423A HJ2
2031	65,000	7.50	3.80	36423A GV6	2045	160,000 (c)	5.00	5.11	36423A HK9
2032	70,000	7.50	3.90	36423A GW4	2046	170,000 (c)	5.00	5.12	36423A HL7
2033	75,000 (c)	7.50	4.00	36423A GX2	2047	180,000 (c)	5.00	5.13	36423A HM5
***	***	***	***	***	2048	190,000 (c)	5.00	5.14	36423A HN3
2038	100,000 (c)	5.00	4.75	36423A HC7	2049	475,000 (c)	5.00	5.15	36423A HP8
2039	105,000 (c)	5.00	4.90	36423A HD5	2050	750,000 (c)	5.00	5.16	36423A HQ6
***	***	***	***	***	2051	1,250,000 (c)	5.00	5.17	36423A HR4

$165,000 Term Bonds due September 1, 2035 (c), 36423A GZ7 (b), 7.50% Interest Rate, 4.20% Yield (a)
$185,000 Term Bonds due September 1, 2037 (c), 36423A HB9 (b), 5.00% Interest Rate, 4.60% Yield (a)
$230,000 Term Bonds due September 1, 2041 (c), 36423A HF0 (b), 5.00% Interest Rate, 5.00% Yield (a)

(a) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (as herein defined) for offers to the public and which subsequently may be changed.
(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 Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
(c) Bonds maturing on and after September 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein See "THE BONDS—Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Galveston County Municipal Utility District No. 68 (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 located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Galveston County, the City of La Marque, the City of Hitchcock, or any entity other than the District. The Bonds are subject to special investment risks described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds in book entry form through DTC is expected on or about October 22, 2026.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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 Initial Purchaser and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT—Updating the Official Statement."

Assured Guaranty Inc. ("AG" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer 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 the Insurer supplied by the Insurer and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information 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 FINANCING

The Issuer ..... Galveston County Municipal Utility District No. 68 (the "District"), a political subdivision of the State of Texas, is located in Galveston County, Texas. See "THE DISTRICT."

The Issue ..... The District's $4,750,000 Unlimited Tax Bonds, Series 2026 (the "Bonds") are issued pursuant to a resolution (the "Bond Resolution") of the District's Board of Directors. The Bonds will be issued as fully registered bonds maturing serially on September 1 in each of the years 2028 through 2033, both inclusive, and 2038 through 2039, both inclusive, and 2042 through 2051, both inclusive, and as term bonds maturing on September 1 in each of the years 2035, 2037, and 2041 (the "Term Bonds"). Interest on the Bonds accrues from the Date of Delivery (as herein defined) and is payable on March 1, 2027, and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption.

The Bonds maturing on and after September 1, 2033, are subject to redemption, in whole or from time to time in part, at the option of the District, prior to their maturity dates, on September 1, 2032, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."

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

Source of Payment ..... The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "TAX PROCEDURES." The Bonds are obligations of the District and are not obligations of the State of Texas, Galveston County, the City of La Marque, the City of Hitchcock or any other political subdivision or agency other than the District. See "THE BONDS—Source of and Security for Payment."

Payment Record ..... The District has previously issued seven series of unlimited tax bonds and one series of unlimited tax refunding bonds, $25,710,000 of which will remain outstanding as of September 2, 2026 (the "Outstanding Bonds"). The District will capitalize $237,500 of capitalized interest, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ from Bond proceeds. The District has never defaulted in the payment of principal and interest on the Outstanding Bonds. See "FINANCIAL STATEMENT."

Use of Proceeds ..... Proceeds from the Bonds will be used to finance water, sewer and drainage improvements for Ambrose Sections 2 and 3, Trails at Woodhaven Lakes Section 1, and Sunset Grove Section 4, and for land acquisition. Bond proceeds will also be used to pay developer interest, $237,500 of capitalized interest, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ, and certain costs associated with issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Authority for Issuance..... The Bonds are the eighth series of bonds issued out of an aggregate of $50,000,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of purchasing and constructing water, sanitary sewer, and drainage facilities. The Bonds are issued by the District pursuant to an order of the TCEQ (defined herein), the terms and conditions of the Bond Resolution, an election held within the District, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "THE BONDS—Authority for Issuance."

Qualified Tax-Exempt Obligations ..... The District has designated the Bonds "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS—Qualified Tax-Exempt Obligations."

Municipal Bond Rating and Municipal Bond Insurance..... S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") is expected to assign a municipal bond insured rating of "AA" (stable outlook) and Moody's Investors Service, Inc. ("Moody's") is expected to assign a municipal bond insured rating of "A1" (stable outlook), respectively, to this issue of the Bonds 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 Assured Guaranty Inc. ("AG" or the "Insurer"). Moody's has also 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 Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

Bond Counsel ..... Allen Boone Humphries Robinson LLP, Houston, Texas. See "MANAGEMENT," "LEGAL MATTERS," and "TAX MATTERS."

Financial Advisor ..... Masterson Advisors LLC, Houston, Texas. See "MANAGEMENT."

District Engineer ..... Pape-Dawson Consulting Engineers, LLC, Houston, Texas.

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

THE DISTRICT

Description..... The District was created by order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), dated August 23, 2006. The District contains approximately 410 acres of land and is located in northwestern Galveston County, approximately 35 miles southeast of downtown Houston, Texas. The District is located east of FM 2004, southwest of Interstate Highway 45, and south of FM 1765. A portion of the District (approximately 365 acres) is located within the corporate limits of the City of La Marque, Texas and the remaining portion of the District (approximately 45 acres) is located within the corporate limits of the City of Hitchcock, Texas. See "THE DISTRICT—General" and "AERIAL PHOTOGRAPH" herein.

Status of Development..... With the consent of the District, the Developers have financed the design and construction of water, sanitary sewer and drainage facilities to serve Saltgrass Crossing, Sections 1 and 2, Sunset Grove, Sections 1 through 6, Ambrose, Sections 1 through 3, and Trails at Woodhaven Lakes Sections 1 and 2 located within the District (approximately 283 acres of land developed into 1,253 single-family residential lots). Construction of underground utilities and street paving is complete in these sections. As of July 1, 2026, the District contained 1,022 completed single-family homes, 52 homes under construction, and 179 vacant lots available for construction. All homes located in Saltgrass Crossing, Section 2 (155 homes) are rental properties owned and leased by Camillo Properties Ltd. See "INVESTMENT CONSIDERATIONS—Rental Homes."

Homebuilding in the District is currently being conducted by the following homebuilders: M/I Homes, KB Home, Castlerock, Lennar, Smith Douglas Homes, and Century Communities. New homes in the District range in price from approximately $200,000 to $440,000.

The District also contains approximately 52 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Approximately 75 acres of land are undevelopable and contained in drainage easements, detention, right-of-ways, utility sites, and recreation/open spaces. See "THE DISTRICT—Status of Development."

The Developers and Major Landowners ..... KB Home Lone Star, Inc., a Texas corporation ("KB") has developed Sunset Grove, Sections 1 through 6 (approximately 66 acres, 274 lots). KB does not own any additional developable land within the District.

M/I Homes of Houston, LLC ("M/I") has developed Ambrose, Sections 1 through 3 (approximately 60 acres, 290 lots). M/I does not own any additional developable land within the District.

Trails at Woodhaven Lakes, Ltd. ("Trails") has developed Trails at Woodhaven Lakes Section 1 and 2 (approximately 60 acres, 267 lots). Trails does not own any additional developable land within the District.

The homes constructed in Saltgrass Crossing, Section 2 are owned and leased by Camillo Properties Ltd. ("Camillo") and are marketed as rental properties. See "INVESTMENT CONSIDERATIONS—Rental Homes."

Century Communities, Inc. ("Century") owns approximately 52 acres of developable land in the District.

KB, M/I, and Trails are collectively referred to herein as the "Developers." Century and Camillo are referred to herein as "Landowners." See "THE DEVELOPERS AND MAJOR LANDOWNERS."

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."

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SELECTED FINANCIAL INFORMATION

2026 Taxable Assessed Valuation	$234,672,637	(a)
Estimated Taxable Assessed Valuation as of June 1, 2026	$256,090,055	(b)
Gross Debt Outstanding (after the issuance of the Bonds)	$30,460,000	
Estimated Overlapping Debt	14,691,500	(c)
Total Gross Debt and Estimated Overlapping Debt	$45,151,500	(c)
Ratios of Gross Debt to:		
2026 Taxable Assessed Valuation	12.98%	
Estimated Taxable Assessed Valuation as of June 1, 2026	11.89%	
Ratios of Gross Debt and Estimated Overlapping Debt to:		
2026 Taxable Assessed Valuation	19.24%	
Estimated Taxable Assessed Valuation as of June 1, 2026	17.63%	
2026 Tax Rate:		
Debt Service	$0.770	
Maintenance and Operations	0.094	
Total	$0.864/$100A.V.	(d)
Average tax Collections (2021-2025)	99.49%	
Average Annual Debt Service Requirements (2027-2051) of the Outstanding Bonds and the Bonds ("Average Annual Requirement")	$1,961,327	(e)
Maximum Annual Debt Service Requirements (2028) of the Outstanding Bonds and the Bonds ("Maximum Annual Requirement")	$2,095,840	(e)
Tax rates required to pay Average Annual Requirement based upon:		
2026 Taxable Assessed Valuation at a 95% collection rate	$0.88/$100 A.V.	
Estimated Taxable Assessed Valuation as of June 1, 2026 at a 95% collection rate	$0.81/$100 A.V.	
Tax rates required to pay Maximum Annual Requirement based upon:		
2026 Taxable Assessed Valuation at a 95% collection rate	$0.95/$100 A.V.	
Estimated Taxable Assessed Valuation as of June 1, 2026 at a 95% collection rate	$0.87/$100 A.V.	

Water connections as of July 1, 2026 (f):

Single-family Homes - Completed	867
Single-family Homes - Rental Completed	155
Single-family Homes – Under Construction	52
Vacant Lots Available for Homebuilding	179
Total	1,253

Estimated 2026 Population ..... 3,398 (g)

(a) The Galveston Central Appraisal District (the "Appraisal District") has certified $228,059,786 of taxable value and an additional $6,612,851 of taxable value remains uncertified and is subject to review and downward adjustment. The 2026 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAX PROCEDURES."

(b) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on June 1, 2026, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2026 and June 1, 2026, will be certified as of January 1, 2027. See "TAX PROCEDURES."

(c) See "ESTIMATED OVERLAPPING DEBT STATEMENT."

(d) See "TAX DATA—Tax Rate Distribution." See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Impact on District Tax Rate."

(e) See "DEBT SERVICE REQUIREMENTS."

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

(g) Based on 3.5 persons per occupied single-family home. Assumes 95% of completed single-family residential is occupied and 95% of single-family rental properties are occupied.

OFFICIAL STATEMENT

$4,750,000

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 68

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

UNLIMITED TAX BONDS
SERIES 2026

This Official Statement provides certain information in connection with the issuance by Galveston County Municipal Utility District No. 68 (the "District") of its $4,750,000 Unlimited Tax Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board"), an election held within the District, and an order of the Texas Commission on Environmental Quality (the "Commission" or "TCEQ").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, its development and KB Home Lone Star, Inc. ("KB"), M/I Homes of Houston, LLC ("M/I") and Trails at Woodhaven Lakes, Ltd. ("Trails"), the developers in the District (the "Developers"). 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 the District upon payment of the costs of duplication therefore.

THE BONDS

General

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

The Bonds will be dated October 1, 2026 and will accrue interest from the Date of Delivery, which interest is payable on each March 1 and September 1 (the "Interest Payment Dates") commencing March 1, 2027, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the principal amounts and each of the years shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Authority for Issuance

At a bond election held within the District on November 7, 2006, the voters of the District authorized the issuance of a total of $50,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Bonds are being issued pursuant to such authorization for the purposes described in "USE AND DISTRIBUTION OF BOND PROCEEDS."

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an order of the Commission, Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended.

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.

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, 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 La Marque, the City of Hitchcock, or any entity other than the District.

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., Houston, Texas, as Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due the United States of America, upon their presentation and surrender as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas. Interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owners as shown on the Register on the fifteenth (15th) day (whether or not a business day) of the month prior to each interest payment date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Register or by such other customary banking arrangements as may be agreed to by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

Funds

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

$237,500 of capitalized interest, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ, shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund and used for certain construction costs, to reimburse the costs of acquiring or constructing District facilities, to pay Developers interest on such reimbursements and to pay the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates 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.

Record Date

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2035, 2037, and 2041 (the "Term Bonds") shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District's reserved right of optional redemption, as provided under "Optional Redemption" below):

$165,000 Term Bonds Due September 1, 2035		$185,000 Term Bonds Due September 1, 2037	
Mandatory Redemption Date	**Principal Amount**	**Mandatory Redemption Date**	**Principal Amount**
2034	$ 80,000	2036	$ 90,000
2035 (maturity)	85,000	2037 (maturity)	95,000

$230,000 Term Bonds Due September 1, 2041	
Mandatory Redemption Date	**Principal Amount**
2040	$ 110,000
2041 (maturity)	120,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2033, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of $5,000, on September 1, 2032, or on any date thereafter, at a price equal to the principal amount thereof 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 of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Registration and Transfer

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

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.

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System is 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, stolen or destroyed, 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.

Issuance of Additional Debt

After issuance of the Bonds, the District will have $16,725,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities; and $32,420,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding such bonds. 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. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "INVESTMENT CONSIDERATIONS—Future Debt."

The District 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 Commission; (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 Commission; and (d) approval of bonds by the Attorney General of Texas. The Board has not considered preparing a fire plan or calling an election at this time for such purposes.

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) amendments to existing city ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park projects and bonds by the Commission; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds is limited to one percent of the District's certified taxable assessed valuation, unless, the District meets certain financial feasibility requirements under the TCEQ rules, in which case the District may exceed an amount equal to one percent (1%) but not greater than three percent (3%) of the value of the taxable property in the District. The District has no current plans to prepare a park plan or call an election for such purpose.

Issuance of additional debt could increase the District's tax rate and 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.

Remedies in Event of Default

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient 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, of each series will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. With respect to the Bonds, one fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

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

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

THE DISTRICT

General

Galveston County Municipal Utility District No. 68 (the "District") is a municipal utility district created by order of the Texas Commission on Environmental Quality (the "Commission"), dated August 23, 2006, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. A portion of the District (approximately 365 acres) is located within the corporate limits of the City of La Marque, Texas and the remaining portion of the District (approximately 45 acres) is located within the corporate limits of the City of Hitchcock, Texas.

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; the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers, and, after approval by the Commission, and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts or municipalities.

Location of District

The District contains approximately 410 acres of land (including approximately 46.333 acres annexed on April 25, 2024) in northwestern Galveston County approximately 35 miles southeast of downtown Houston, Texas. The District is located east of FM 2004, southwest of Interstate Highway 45, and south of FM 1765. A portion of the District (approximately 365 acres) is located within the corporate limits of the City of La Marque, Texas and the remaining portion of the District (approximately 45 acres) is located within the corporate limits of the City of Hitchcock, Texas. See "AERIAL PHOTOGRAPH" herein.

Status of Development

Single-Family Residential	Approximate Acres	Lots
Saltgrass Crossing:		
Section 1	63	267
Section 2 (a)	34	155
Sunset Grove:		
Section 1	11	37
Section 2	10	41
Section 3	13	48
Section 4	10	42
Section 5	11	44
Section 6	11	62
Ambrose:		
Section 1	22	106
Section 2	18	96
Section 3	20	88
Trails at Woodhaven Lakes:		
Section 1	28	151
Section 2	32	116
Subtotal	283	1,253
Future Development	52	---
Non-Developable (b)	75	---
	410	1,253

(a) Rental home community. See "INVESTMENT CONSIDERATIONS—Rental Homes."
(b) Consists of street easements, right-of-ways, drainage easements, detention, parks and recreation space and utility sites.

With the consent of the District, the Developers have financed the design and construction of water, sanitary sewer and drainage facilities to serve Saltgrass Crossing, Sections 1 and 2, Sunset Grove, Sections 1 through 6, Ambrose, Sections 1 through 3, and Trails at Woodhaven Lakes, Sections 1 and 2 located within the District (approximately 283 acres of land developed into 1,253 single-family residential lots). Construction of underground utilities and street paving is complete in these sections. As of July 1, 2026, the District contained 1,022 completed single-family homes, 52 homes under construction, and 179 vacant lots available for construction. All homes located in Saltgrass Crossing, Section 2 are rental properties owned and leased by Camillo Properties Ltd. See "INVESTMENT CONSIDERATIONS—Rental Homes." Homebuilding in the District is currently being conducted by the following homebuilders: M/I Homes, KB Home, Castlerock, Lennar, Smith Douglas Homes, and Century Communities. New homes in the District range in price from approximately $200,000 to $440,000.

The District also contains approximately 52 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Approximately 75 acres of land are undevelopable and contained in drainage easements, detention, right-of-ways, utility sites and recreation/open spaces.

Community Facilities

Community facilities are available in the general vicinity of the District. Neighborhood shopping facilities including supermarkets, pharmacies, cleaners, restaurants, banking facilities, and other retail and service establishments are located within two miles of the District along and adjacent to Interstate Highway 45. Fire and police protection is provided by the City of La Marque to the acreage of the District located within the City of La Marque. Fire and police protection is provided by the City of Hitchcock to the acreage of the District located within the City of Hitchcock. Children residing within the District attend schools within the Hitchcock Independent School District within five miles of the District.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. None of the Directors listed below reside within the District, but each owns a small parcel of land within the District subject to a Note and Deed of Trust in favor of one of the Developers. Directors are elected by the voters within the District for four-year staggered terms. Director elections are held only in even numbered years. The directors and officers of the District are listed below:

Name	Title	Term Expires
Suzanne Ross	President	May 2030
Randy Trncak	Vice President	May 2028
Cory Burton	Secretary	May 2028
Joanne Lannin	Assistant Secretary	May 2030
Robby McGinnis	Assistant Vice President	May 2030

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Galveston Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Bob Leared Interests, Inc. is currently serving in this capacity for the District.

Bookkeeper

The District has engaged McLennan & Associates, L.P., to serve as the District's bookkeeper.

System Operator

The City of La Marque, pursuant to the Utility Services Contract between the District and the City of La Marque, operates the water and sewer system serving the District for property located in the City of La Marque. See "UTILITY SERVICES CONTRACTS."

The City of Hitchcock, pursuant to the Utility Services Contract between the District and the City of Hitchcock, operates the water and sewer system serving the District for property located in the City of Hitchcock. See "UTILITY SERVICES CONTRACTS."

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is Pape-Dawson Consulting Engineers, LLC (the "Engineer").

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the Commission. The District's financial statements for the fiscal year ending May 31, 2025 have been audited by McGrath & Co., PLLC. The District has engaged McGrath & Co., PLLC to prepare the financial statements for the fiscal year ending May 31, 2026. See "APPENDIX A" for a copy of the District's May 31, 2025 audited financial statements.

Attorney

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

Financial Advisor

Masterson Advisors LLC (the "Financial Advisor") serves as financial advisor to the District. The fees to be paid to the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

THE DEVELOPERS AND MAJOR LANDOWNERS

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 roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the Commission to pave streets (in areas where District facilities are being financed with bonds), 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.

KB Home Lone Star, Inc.

KB Home Lone Star, Inc., a Texas corporation ("KB") has developed Sunset Grove, Sections 1 through 6 (approximately 66 acres, 274 lots). KB does not own any additional developable land within the District.

M/I Homes of Houston, LLC

M/I Homes of Houston, LLC ("M/I") has developed Ambrose, Sections 1 through 3 (approximately 60 acres, 290 lots). M/I does not own any additional developable land within the District.

Trails at Woodhaven Lakes, Ltd.

Trails at Woodhaven Lakes, Ltd. ("Trails") has developed Trails at Woodhaven Lakes Section 1 and 2 (approximately 60 acres, 267 lots). Trails does not own any additional developable land within the District.

KB, M/I, and Trails are collectively herein referred to as the "Developers."

Century Communities, Inc.

Century Communities, Inc. ("Century") owns approximately 52 acres of developable land in the District.

Camillo Properties Ltd.

The homes constructed in Saltgrass Crossing, Section 2 are owned and leased by Camillo Properties Ltd. ("Camillo") and are marketed as rental properties. See "INVESTMENT CONSIDERATIONS—Rental Homes."

UTILITY SERVICES CONTRACTS

The District has a Utility Services Contract (the "La Marque Utility Services Contract") with the City of La Marque ("La Marque") to provide water supply and wastewater treatment to the District for property located in the City of La Marque. The La Marque Utility Services Contract with La Marque provides that for the acreage in La Marque, the District will construct and finance all water, wastewater and drainage improvements required for the development of the District, and convey such facilities to La Marque for ownership, operation and maintenance. La Marque will bill all customers for water and wastewater services, and retain all revenues from the system, charging District customers the same rates as provided by La Marque. Detention facilities will not be transferred to La Marque. The La Marque Utility Services Contract does not provide for a rebate of City taxes collected from within the District.

The District has a Utility Services Contract (the "Hitchcock Utility Services Contract") with the City of Hitchcock ("Hitchcock") to provide water supply and wastewater treatment to the District for property located in the City of Hitchcock. The Hitchcock Utility Services Contract with Hitchcock provides that for the acreage in Hitchcock, the District will construct and finance all water, wastewater and drainage improvements required for the development of the District, and convey such facilities to Hitchcock for ownership, operation and maintenance. Hitchcock will bill all customers for water and wastewater services, and retain all revenues from the system, charging District customers the same rates as provided by Hitchcock. Detention facilities will not be transferred to Hitchcock. The Hitchcock Utility Services Contract does not provide for a rebate of City taxes collected from within the District.

The La Marque Utility Services Contract and the Hitchcock Utility Services Contract are collectively referred to herein as the "Utility Services Contracts."

WATER SUPPLY AND WASTEWATER TREATMENT

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities, including, among others, the Commission, the City of La Marque, the City of Hitchcock, and Galveston County. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the Commission.

Operation of the District's current waterworks and sewage treatment facilities is provided by La Marque and Hitchcock, and is subject to regulation by, among others, the United States Environmental Protection Agency and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water, Sanitary Sewer Facilities

Source of Water Supply: Water supply for the District customers located within La Marque is provided by La Marque pursuant to the Utility Services Contract. La Marque's source of water is surface water provided by the Gulf Coast Water Authority and supplemented by groundwater from wells owned and operated by La Marque. La Marque's water supply system which serves the District is capable of serving 7,108 equivalent single-family connections ("ESFCs") which is sufficient capacity to serve all of the currently developed lots in the District located within La Marque. The District does not have an emergency interconnect with any other municipality except for Hitchcock. La Marque is the sole provider of water supply for the acreage within the District located within La Marque.

Water supply for the District customers located within the City of Hitchcock is provided by Hitchcock. Hitchcock's source of water is surface water provided by the Gulf Coast Water Authority and supplemented by groundwater from wells owned and operated by Hitchcock. Hitchcock's water supply system which serves the District is capable of serving 106 equivalent single-family connections ("ESFCs") which is sufficient capacity to serve all of the currently developed lots in the District located within Hitchcock. The District does not have an emergency interconnect with any other municipality except for La Marque. Hitchcock is the sole provider of water supply for the acreage within the District located within Hitchcock.

Source of Wastewater Treatment: Pursuant to the Utility Services Contract with La Marque, La Marque has agreed to provide capacity for the ultimate wastewater system that serves the acreage within the District located within La Marque and has sufficient capacity available to serve all of the currently developed lots in the District located within La Marque.

Pursuant to the Utility Services Contract with Hitchcock, Hitchcock has agreed to provide capacity for the ultimate wastewater system that serves the acreage within the District located within Hitchcock and has sufficient capacity available to serve all of the currently developed lots in the District located within Hitchcock.

100-Year Flood Plain: "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes built in such area will not be flooded. The District's drainage system was designed and constructed to standards in effect at the time of construction.

According to the Engineer, no land within the District is currently located within the 100-year flood plain. Based on the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map dated February 16, 1983, a portion of the District was in the 100-year flood plain. The areas that were within the 100-year flood plain have been removed from the flood plain by Letter of Map Revision ("LOMR") effective May 10, 2007. See "INVESTMENT CONSIDERATIONS—Severe Weather."

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.

USE AND DISTRIBUTION OF BOND PROCEEDS

Of proceeds to be received from sale of the Bonds, $3,678,464 is estimated for construction costs, and $1,071,536 is estimated for nonconstruction costs.

CONSTRUCTION COSTS		
Water, Sewer, and Drainage Improvements for Trails at Woodhaven Lakes Section 1	$	1,033,888
Water, Sewer, and Drainage Improvements for Sunset Grove, Section 4		160,741
Water, Sewer, and Drainage Improvements for Ambrose, Section 2		288,684
Water, Sewer, and Drainage Improvements for Ambrose, Section 3		900,904
Engineering		236,302
Materials Testing		19,270
Storm Water Pollution Prevention		20,092
Land Acquisition (Detention Acreage)		1,411,621
Less:Surplus Funds Applied		(393,038)
Total Construction Costs	**$**	**3,678,464**
NON-CONSTRUCTION COSTS		
Legal Fees	$	133,750
Financial Advisory Fees		90,625
Developer Interest (Estimated)		352,111
Capitalized Interest (a)		237,500
Bond Discount (b)		141,858
Bond Issuance Expenses		48,425
Bond Application Report		50,000
Attorney General Fee		4,750
TCEQ Fee (0.25%)		11,875
Contingency (b)		642
Total Non-Construction Costs	**$**	**1,071,536**
TOTAL BOND ISSUE	**$**	**4,750,000**

(a) The District will capitalize $237,500 of interest from Bond proceeds, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ.
(b) The Commission approved a maximum Bond Discount of 3.00%. Contingency represents the difference between the estimated and actual amount of Bond Discount.

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

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
11/07/2006	Water and Sanitary Sewer and Drainage	$50,000,000	$33,275,000*	$16,725,000*
11/07/2006	Refunding Bonds	$32,500,000	$80,000	$32,420,000

* Includes the Bonds.

FINANCIAL STATEMENT

2026 Taxable Assessed Valuation	$234,672,637	(a)
Estimated Taxable Assessed Valuation as of June 1, 2026	$256,090,055	(b)
Gross Debt Outstanding (after the issuance of the Bonds)	$30,460,000	(c)
Ratios of Gross Debt to:		
2026 Taxable Assessed Valuation	12.98%	
Estimated Taxable Assessed Valuation as of June 1, 2026	11.89%	

Area of District – 410 acres
Estimated 2026 Population- 3,398 (d)

(a) The Galveston Central Appraisal District (the "Appraisal District") has certified $228,059,786 of taxable value and an additional $6,612,851 of taxable value remains uncertified and is subject to review and downward adjustment. The 2026 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAX PROCEDURES."
(b) As provided by the Appraisal District. Such amount is only an estimate of the taxable assessed value on June 1, 2026, and may be revised upward or downward once certified by the Appraisal District. Increases in value occurring between January 1, 2026 and June 1, 2026, will be certified as of January 1, 2027. See "TAX PROCEDURES."
(c) See "Outstanding Bonds" herein.
(d) Based on 3.5 persons per occupied single-family home. Assumes 95% of completed single-family residential development is occupied and 95% of single-family rental properties are occupied.

Cash and Investment Balances (unaudited as of August 18, 2026)

General Fund	Cash and Temporary Investments	$512,832	
Capital Projects Fund	Cash and Temporary Investments	$405,338	(a)
Debt Service Fund	Cash and Temporary Investments	$2,943,019	(b)(c)

(a) $393,038 of surplus funds in the capital projects fund will be applied to the bond issue. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
(b) $237,500 of capitalized interest, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ, shall be deposited into the Debt Service Fund upon receipt. Neither Texas law nor the Bond Resolution requires the District to maintain any minimum balance in the Debt Service Fund.
(c) Includes $1,386,791.25 for the District's 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 portfolio.

Outstanding Bonds

Series		Original Principal Amount	Outstanding Bonds (as of 9/2/2026)
2016		1,080,000	1,080,000
2019		3,845,000	3,330,000
2021	(a)	2,020,000	1,335,000
2022		1,800,000	1,560,000
2023		4,475,000	4,255,000
2024		6,250,000	5,750,000
2025		8,400,000	8,400,000
Total		$ 27,870,000	$ 25,710,000

(a) Unlimited tax refunding bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Overlapping Amount
Galveston County	$ 126,960,000	7/31/2026	0.39%	$ 495,144
Hitchcock Independent School District	62,561,228	7/31/2026	14.45%	9,040,097
City of La Marque	33,263,451	7/31/2026	9.07%	3,016,995
City of Hitchcock	26,745,000	7/31/2026	2.61%	698,045
College of the Mainland	142,695,000	7/31/2026	1.01%	1,441,220
Total Estimated Overlapping Debt				$ 14,691,500
The District	30,460,000 (a)	Current	100.00%	30,460,000
Total Direct and Estimated Overlapping Debt				$ 45,151,500

Direct and Estimated Overlapping Debt as a Percentage of:	
2026 Taxable Assessed Valuation of $234,672,637	19.24%
Estimated Taxable Assessed Valuation as of June 1, 2026 of $256,090,055	17.63%

(a) Includes the Outstanding Bonds and the Bonds.

Overlapping Tax Rates for 2025

	Tax Rate per $100 of Taxable Assessed Valuation
Galveston County	$ 0.322660
Hitchcock Independent School District	1.030097
Galveston County Drainage District No. 2	0.045080
College of the Mainland	0.263800
Galveston County Road and Flood District	0.003000
City of La Marque (a)	0.418501
Total Overlapping Tax Rate	$ 2.083138
The District (b)	0.864000
Total Tax Rate	$ 2.947138

(a) Approximately 45 of the District's 410 acres lies within the corporate boundaries of the City of Hitchcock that levied a 2025 total tax rate of $0.54 per $100 of taxable assessed valuation.

(b) The District adopted a 2026 total tax rate of $0.864 per $100 of assessed valuation. See "TAX DATA—Tax Rate Distribution." See "TAX DATA—Tax Adequacy for Debt Service" and "INVESTMENT CONSIDERATIONS—Impact on District Tax Rate."

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of July 31, 2026 (a) Amount	Percent
2021	$ 82,476,809	$ 0.864	$ 712,600	$ 711,158	99.80%
2022	102,793,165	0.864	888,133	884,375	99.58%
2023	134,783,217	0.864	1,164,527	1,160,413	99.65%
2024	186,720,668	0.864	1,613,267	1,602,862	99.36%
2025	216,001,086	0.864	1,866,249	1,848,860	99.07%

(a) Unaudited.

Taxes are due when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2026	2025	2024	2023	2022
Debt Service	$ 0.770	$ 0.750	$ 0.730	$ 0.700	$ 0.690
Maintenance and Operations	0.094	0.114	0.134	0.164	0.174
Total	$ 0.864	$ 0.864	$ 0.864	$ 0.864	$ 0.864

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: $1.50 per $100 assessed valuation.

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 remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2026 tax year, the District levied a debt service tax of $0.77 per $100 assessed valuation.

Maintenance and Operations Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on November 7, 2006, the Board was authorized to levy such a maintenance tax in an amount not to exceed $1.50 per $100 of taxable assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds. For the 2026 tax year, the Board levied a maintenance tax in the amount of $0.094 per $100 assessed valuation.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

The Developers have executed a Waiver of Special Appraisal, waiving their right to claim any agriculture or open space exemptions, or any other type of exemption or valuation, for the property they own within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waiver is binding for a period of thirty years.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code.

Principal Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the 2026 Certified Taxable Assessed Valuation of $228,059,786. This represents ownership as of January 1, 2026. Principal taxpayer lists related to the uncertified portion ($6,612,851) of the 2026 Taxable Assessed Valuation of $234,672,637 and the Estimated Taxable Assessed Valuation as of June 1, 2026 of 256,090,055, are currently not available.

Taxpayer	Type of Property	2026 Certified Taxable Assessed Valuation	% of 2026 Certified Taxable Assessed Valuation
CP ML 2024-TRM-SFR LLC (a)(b)	Land & Improvements	$ 24,039,254	10.54%
Trails at Woodhaven Lakes (b)	Land & Improvements	3,794,552	1.66%
M/I Homes of Houston LLC (b)(c)	Land & Improvements	3,495,533	1.53%
KB Home Lone Star Inc. (b)(c)	Land & Improvements	2,852,373	1.25%
Castlerock Communities LLC (c)	Land & Improvements	2,244,413	0.98%
Century Land Holdings (b)	Land & Improvements	2,109,270	0.92%
Centerpoint Energy Houston	Personal Property	1,516,300	0.66%
Individual	Land & Improvements	1,373,550	0.60%
SDH Houston LLC	Land & Improvements	1,023,058	0.45%
Lennar Homes of Texas Land and Construction LTD (c)	Land & Improvements	1,006,888	0.44%
Total		$ 43,455,191	19.05%

(a) Represents rental homes located in Saltgrass Crossing, Section 2 owned and leased by Camillo. See "INVESTMENT CONSIDERATIONS—Rental Homes."
(b) See "THE DEVELOPERS AND MAJOR LANDOWNERS."
(c) Homebuilder.

Summary of Assessed Valuation

The following summary of the 2026, 2025, and 2024 Taxable Assessed Valuations are provided by the District's Tax Assessor/Collector based on information provided by the Appraisal District and contained in the 2026, 2025, and 2024 tax rolls of the District. Breakdowns of the uncertified portion ($6,612,851) of the 2026 tax roll of $234,672,637 and the Estimated Taxable Assessed Valuation as of June 1, 2026 of $256,090,055 are not available. Differences in totals may vary slightly from other information herein due to differences in dates of data.

	2026 Taxable Assessed Valuation	2025 Taxable Assessed Valuation	2024 Taxable Assessed Valuation
Land	$ 69,155,503	$ 63,429,137	$ 52,573,524
Improvements	168,585,610	161,743,520	142,447,468
Personal Property	1,877,830	1,705,280	1,367,700
Exemptions	(11,559,157)	(10,876,851)	(9,668,024)
Uncertified Value	6,612,851	-	-
Total	$ 234,672,637	$ 216,001,086	$ 186,720,668

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2026 Taxable Assessed Valuation of $234,672,637 or the Estimated Taxable Assessed Valuation as of June 1, 2026 of $256,090,055, no use of available funds, and utilize tax rates necessary to pay the District's average annual and maximum annual debt service on the Outstanding Bonds and the Bonds.

Average annual debt service requirement (2027-2051)	$1,961,327
$0.88 tax rate on the 2026 Taxable Assessed Valuation of $234,672,637 at a 95% collection rate produces	$1,961,863
$0.81 tax rate on the Estimated Taxable Assessed Valuation as of June 1, 2026 of $256,090,055 at a 95% collection rate produces	$1,970,613
Maximum annual debt service requirement (2028)	$2,095,840
$0.95 tax rate on the 2026 Taxable Assessed Valuation of $234,672,637 at a 95% collection rate produces	$2,117,921
$0.87 tax rate on the Estimated Taxable Assessed Valuation as of June 1, 2026 of $256,090,055 at a 95% collection rate produces	$2,116,584

No representation or suggestion is made that the uncertified portion ($6,612,851) of the 2026 Taxable Assessed Valuation of $234,672,637, which is subject to review and downward revision prior to certification, or the Estimated Taxable Assessed Valuation as of June 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 "TAX PROCEDURES."

TAX 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 and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations. See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

Property Tax Code and County-Wide Appraisal District

Title 1 of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units 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 or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approves it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 depending on the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was 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 a total tax exemption on such surviving spouse's residence homestead. If the surviving spouse changes homesteads, but does not remarry, then the amount of the exemption as of the last year of the first qualifying residential homestead is applicable to the subsequent homesteads. 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.

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 fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property 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 is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Galveston County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Galveston County, the City of La Marque, the City of Hitchcock, and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the 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. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent 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 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 of Texas 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, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area or emergency area, and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the 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.

Tax Payment Installments After Disaster

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

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District'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 "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2025." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

GENERAL FUND

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. The District is provided water and sewer service for the portion within the City of La Marque by the City of La Marque, and is provided water and sewer service for the portion within the City of Hitchcock by the City of Hitchcock, as described in "WATER SUPPLY AND WASTEWATER TREATMENT," and does not receive any revenue from customers for water and sewer service. Consequently, the District's sole source of revenue is provided by a maintenance and operations tax levy, and its general fund is used primarily for administrative expenses of the District. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Outstanding Bonds.

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for fiscal years ended May 31, 2022 through 2025 and an unaudited financial statement from the District's bookkeeper for fiscal year ended May 31, 2026. Reference is made to such statements and records for further and more complete information.

	Fiscal Year Ended May 31				
	2026 (a)	2025	2024	2023	2022
Revenues					
Property Taxes	$ 245,386	$ 248,877	$ 219,049	$ 178,566	$ 184,582
Investment Earnings	19,113	22,025	21,466	12,568	421
Total Revenues	$ 264,499	$ 270,902	$ 240,515	$ 191,134	$ 185,003
Expenditures					
Professional Fees	$ 141,615	$ 97,709	$ 119,592	$ 88,997	$ 109,976
Contracted Services	31,843	24,160	22,050	20,650	19,445
Other	-	2,500	5,271	159	3,581
Administrative	38,841	26,244	27,196	24,568	14,809
Repairs and Maintenance	47,757	43,401	28,326	19,450	-
Total Expenditures	$ 260,056	$ 194,014	$ 202,435	$ 153,824	$ 147,811
Net Revenues	$ 4,443	$ 76,888	$ 38,080	$ 37,310	$ 37,192
Net Change in Fund Balances	$ 4,443	$ 76,888	$ 38,080	$ 37,310	$ 37,192
Fund Balance (Beginning of Year)	$ 542,106	$ 447,303	$ 409,223	$ 371,913	$ 334,721
Internal Transfers		$ 17,915	$ -	$ -	$ -
Fund Balance (End of Year)	$ 546,549	$ 542,106	$ 447,303	$ 409,223	$ 371,913

(a) Unaudited. Provided by the District's Bookkeeper.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the Bonds. This schedule does not reflect the fact that the District will capitalize $237,500 of interest from the Bonds, which represents twelve (12) months at a 5.00% interest rate, and is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2027	$ 1,804,783	$ -	$ 215,442	$ 215,442	$ 2,020,224
2028	1,794,840	50,000	251,000	301,000	2,095,840
2029	1,779,830	55,000	247,250	302,250	2,082,080
2030	1,765,400	60,000	243,125	303,125	2,068,525
2031	1,744,950	65,000	238,625	303,625	2,048,575
2032	1,733,750	70,000	233,750	303,750	2,037,500
2033	1,722,750	75,000	228,500	303,500	2,026,250
2034	1,706,813	80,000	222,875	302,875	2,009,688
2035	1,697,944	85,000	216,875	301,875	1,999,819
2036	1,686,874	90,000	210,500	300,500	1,987,374
2037	1,684,928	95,000	206,000	301,000	1,985,928
2038	1,676,441	100,000	201,250	301,250	1,977,691
2039	1,671,811	105,000	196,250	301,250	1,973,061
2040	1,665,931	110,000	191,000	301,000	1,966,931
2041	1,658,906	120,000	185,500	305,500	1,964,406
2042	1,645,144	130,000	179,500	309,500	1,954,644
2043	1,645,206	135,000	173,000	308,000	1,953,206
2044	1,638,444	150,000	166,250	316,250	1,954,694
2045	1,630,125	160,000	158,750	318,750	1,948,875
2046	1,623,588	170,000	150,750	320,750	1,944,338
2047	1,622,150	180,000	142,250	322,250	1,944,400
2048	1,613,381	190,000	133,250	323,250	1,936,631
2049	1,347,500	475,000	123,750	598,750	1,946,250
2050	1,043,750	750,000	100,000	850,000	1,893,750
2051	-	1,250,000	62,500	1,312,500	1,312,500
Total	$ 39,605,238	$ 4,750,000	$ 4,677,942	$ 9,427,942	$ 49,033,179

Average Annual Debt Service Requirements (2027-2051) $1,961,327
Maximum Annual Debt Service Requirements (2028) $2,095,840

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the District and are not obligations of the City of La Marque, the City of Hitchcock, 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 and Security for Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that taxable property within the District will maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "Registered Owners' Remedies and Bankruptcy Limitations."

Rental Homes

The homes constructed in Saltgrass Crossing, Section 2 are owned by Camillo and are marketed as rental properties. It is anticipated that Camillo will continue to own and lease all of the homes constructed in Saltgrass Crossing, Section 2 and will continue to be a principal taxpayer. Camillo represented $24,039,254 of the District's 2026 certified taxable assessed value, which represents 10.54% of the total certified 2026 taxable assessed value. See "TAX DATA—Principal Taxpayers."

Camillo, as the owner of the homes in Saltgrass Crossing, Section 2, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards. The ability of Camillo or another ultimate owner of rental homes to lease the rental properties may affect their ability to maintain the properties and the taxable assessed valuation of the properties. Additionally, the failure of Camillo or another ultimate owner of the rental homes to make full and timely payments of taxes levied against rental home properties by the District could have a material adverse effect on the District's ability to pay debt service on the Bonds.

Dependence on Principal Taxpayers

The principal taxpayers in the District represent $43,455,191 (19.05%) of the 2026 Certified Taxable Assessed Valuation. Camillo is currently the principal taxpayer within the District. According to the District's 2026 tax rolls, Camillo will be responsible for the payment of District taxes for approximately 10.54% of the 2026 tax roll. See "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 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 on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

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 single-family residences, rental homes, undeveloped land and developed lots which are currently being marketed by the Developers to the builders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Greater Houston area, the State of Texas and the nation and those conditions can affect the demand for residences and, in the case of Camillo, rental homes. See "—Rental Homes" herein. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see "—Credit Markets and Liquidity in the Financial Markets" below), construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values. See "THE DISTRICT."

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 the 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, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, because 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 greater Houston metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Houston and decline in the nation's real estate and financial markets could adversely affect development in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 35 miles from downtown Houston, could be affected by competition from other residential developments, including other residential developments located in the southeastern portion of the Houston area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the builders in the sale of single-family residential houses within the District 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 and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Landowner 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 or developed lots or develop the developable 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 the District will increase or maintain its taxable value.

Undeveloped Acreage, Vacant Land and Vacant Lots

There are 179 vacant developed lots and 52 homes under construction. The District includes approximately 52 remaining developable acres. The District makes no representation as to when or if development of the undeveloped acreage will occur, or if the lot sales and building program will be successful. Failure of the Developers to develop the developable land or of builders to construct homes on the developed lots could restrict the rate of growth of taxable values 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 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 industry may have on property values within the District.

Severe Weather

The greater Houston area 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 three storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days.

To the best knowledge of the District, the water and sewer system serving the District did not sustain any material damage, and there was no interruption of water and sewer service as a result of Hurricane Harvey. Further, there were no reports of structural flooding or other material damage as a result of Hurricane Harvey.

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

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

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 $234,672,637 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the maximum annual debt service requirement will be $2,095,840 (2028) and the average annual debt service requirements will be $1,961,327 (2027-2051) (see "DEBT SERVICE REQUIREMENTS"). Assuming no increase or decrease from the 2026 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service tax rates of $0.95 and $0.87 per $100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of June 1, 2026 reduces the above calculations to $0.88 and $0.81 per $100 assessed valuation at a 95% collection rate, respectively. 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 June 1, 2026, the District can make no representations regarding the future level of assessed valuation within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

After issuance of the Bonds, the District will have $16,725,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities and $32,420,000 principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding bonds. In addition, the District may issue additional bonds approved by District voters in future elections. The Developers have financed other District improvements, including water supply and wastewater collection facilities. After reimbursement from proceeds of the sale of the Bonds, the Developers will have expended approximately $7,907,330 (as of August 4, 2026) for design, construction and acquisition of District utilities not yet reimbursed. It is anticipated that additional bonds will be issued to finance the construction of the facilities to serve on-going development and future development on vacant land. The issuance of such obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District, and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities, and recreational facilities, but not road facilities or facilities in aid thereof, must be approved by the Commission.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See "TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

A district may not be forced into bankruptcy involuntarily.

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 Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) ("CGP"), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ's General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit"), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has filed for a permitting waiver under the MS4 Permit and is awaiting final approval from the TCEQ. If the waiver is not granted by the TCEQ, the District will need to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

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.

Marketability

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Initial Purchaser has entered into an agreement with Assured Guaranty Inc. ("AG" 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 and "A1" (stable outlook) by Moody's. See "MUNICIPAL BOND INSURANCE."

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 Initial Purchaser has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of the Insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE" for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "THE DISTRICT—General," "MANAGEMENT—Attorney," "UTILITY SERVICES CONTRACTS," "TAX PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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

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

No Material Adverse Change

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

No-Litigation Certificate

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

TAX MATTERS

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

Tax Exemption

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

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

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

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

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

Qualified Tax-Exempt Obligations

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

The District 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 percent disallowance of allocable interest expense.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

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

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

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

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

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

Tax Accounting Treatment of Original Issue Discount

If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income. The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") is expected to assign a municipal bond insured rating of "AA" (stable outlook) and Moody's Investors Service, Inc. ("Moody's") is expected to assign a municipal bond insured rating of "A1" (stable outlook), respectively, to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a Policy ensuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. ("AG" or the "Insurer"). Moody's has also 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 Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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, Assured Guaranty Inc. ("AG" or the "Insurer") will issue its municipal bond insurance policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 3, 2026, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 27, 2026, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At June 30, 2026:

- The policyholders' surplus of AG was approximately $3,088 million.

- The contingency reserve of AG was approximately $1,569 million.

- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,411 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 (filed by AGL with the SEC on August 7, 2026).

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

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

Miscellaneous Matters

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading "MUNICIPAL BOND INSURANCE."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of 97.0135% of the principal amount thereof which resulted in a net effective interest rate of 5.238509% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser 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; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein under the caption indicated from the following sources:

> "THE DISTRICT" – the Developers, Pape-Dawson Consulting Engineers, LLC. ("Engineer"), and Records of the District ("Records"); "THE DEVELOPERS AND MAJOR LANDOWNERS" - Developers; "WATER SUPPLY AND WASTEWATER TREATMENT" - Engineer; "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED" - Records; "FINANCIAL STATEMENT" - Galveston Central Appraisal District and Bob Leared Interests, Inc., Tax Assessor/Collector; "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" – Bob Leared Interests, Inc.; "MANAGEMENT" - District Records; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAX PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" - Allen Boone Humphries Robinson LLP.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement the District has relied upon the following consultants.

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled "THE DISTRICT" and "WATER SUPPLY AND WASTEWATER TREATMENT" has been provided by Pape-Dawson Consulting Engineers, LLC, and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections bas been provided by Bob Leared Interests, and is included herein in reliance upon the authority of such firm as an expert in assessing and collecting taxes.

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

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "GENERAL 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 Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time 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 of Directors 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 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 official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has 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 to the MSRB through its EMMA system. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "SELECTED FINANCIAL INFORMATION" "TAX DATA," and in APPENDIX A. The District will update and provide this information within six (6) months after the end of each fiscal year ending in or after 2026. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is 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.

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 and "financial obligation." The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings assigned to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to them under the federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although 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 Initial Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

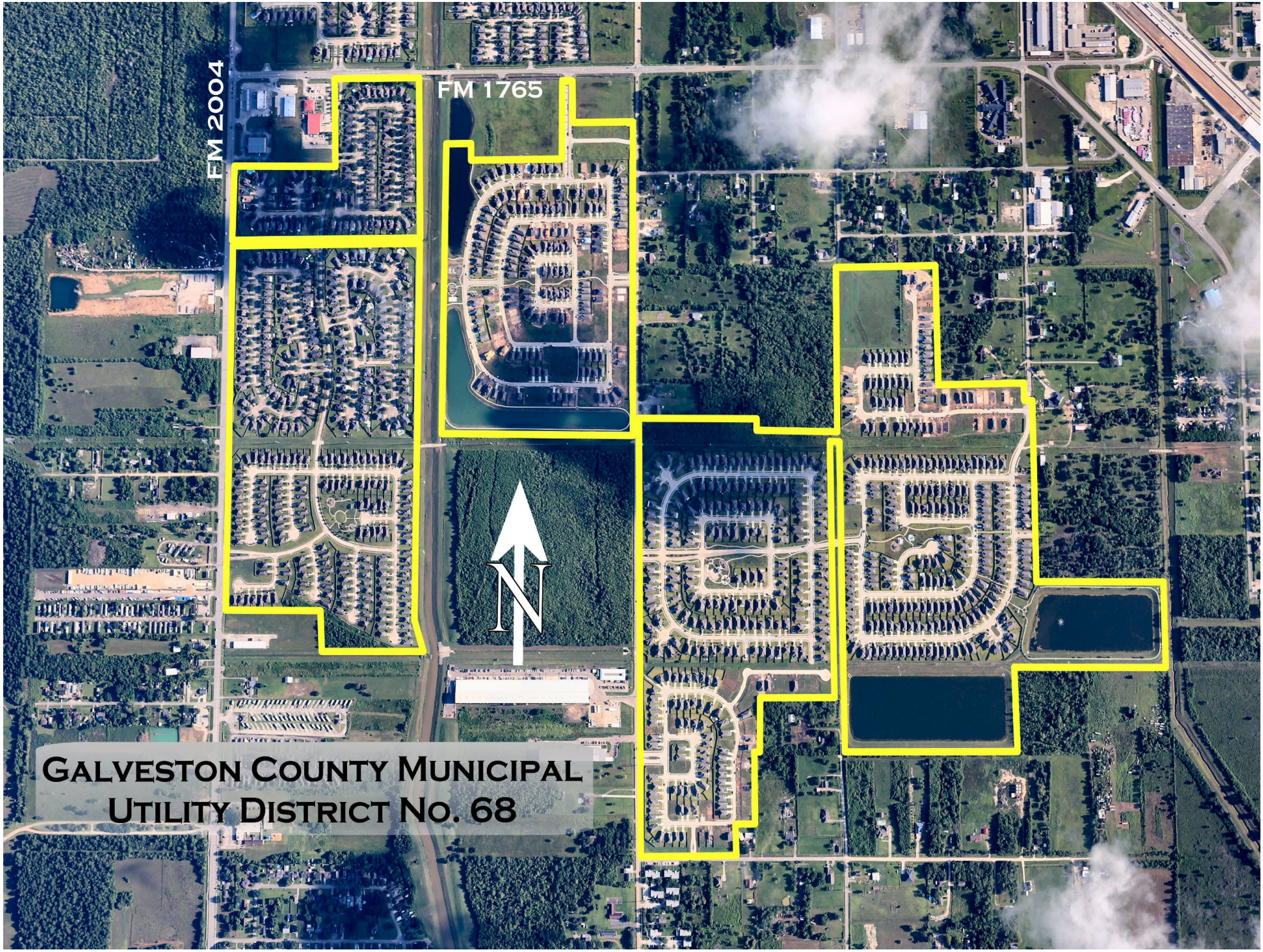
This Official Statement was approved by the Board of Directors of Galveston County Municipal Utility District No. 68, as of the date shown on the cover page.

/s/ Suzanne Ross
President, Board of Directors
Galveston County Municipal Utility District No. 68

ATTEST:

/s/ Cory Burton
Secretary, Board of Directors
Galveston County Municipal Utility District No. 68

AERIAL PHOTOGRAPH
(Approximate boundaries of the District as of August 2026)


FM 2004
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Galveston County Municipal
Utility District No. 68

Galveston County Municipal
Utility District No. 68
FM 519
N

PHOTOGRAPHS OF THE DISTRICT
(Taken August 2026)

OPEN
HOUSE

LENNAR
Open house
LENNAR
Available

United
AVAILABLE

CAS LEROCK
SOLD

APPENDIX A

District Audited Financial Statements for the fiscal year ended May 31, 2025

GALVESTON COUNTY MUNICIPAL UTILITY DISTRICT NO. 68

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

May 31, 2025

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

Independent Auditor's Report

Board of Directors
Galveston County Municipal Utility District No. 68
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. 68 (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. 68, 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.

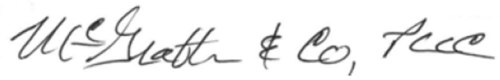
Required Supplementary Information

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 16, 2025

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Management's Discussion and Analysis

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Using this Annual Report

This section of the financial report of Galveston County Municipal Utility District No. 68 (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 $25,523,310. The District's net position is negative because the District incurs debt to construct water, sewer and drainage facilities which it conveys or will convey to the cities of La Marque and Hitchcock. 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	$ 2,662,710	$ 2,209,511
Capital assets	5,194,777	4,197,062
Total assets	7,857,487	6,406,573
Total deferred outflows of resources	30,862	33,948
Current liabilities	558,335	488,160
Long-term liabilities	32,853,324	26,175,860
Total liabilities	33,411,659	26,664,020
Net position		
Net investment in capital assets	(662,164)	(835,124)
Restricted	1,904,039	1,420,732
Unrestricted	(26,765,185)	(20,809,107)
Total net position	$ (25,523,310)	$ (20,223,499)

The total net position of the District decreased during the current fiscal year by $5,299,811. 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	$ 1,621,004	$ 1,169,234
Other	96,414	87,925
Total revenues	1,717,418	1,257,159
Expenses		
Operating and administrative	273,926	228,647
Debt interest and fees	584,704	434,705
Developer interest	574,131	413,750
Debt issuance costs	409,281	412,726
Depreciation	23,441	23,425
Total expenses	1,865,483	1,513,253
Change in net position before other item	(148,065)	(256,094)
Other item		
Transfers to other governments	(5,151,746)	(1,491,322)
Change in net position	(5,299,811)	(1,747,416)
Net position, beginning of year	(20,223,499)	(18,476,083)
Net position, end of year	$ (25,523,310)	$ (20,223,499)

Financial Analysis of the District's Funds

The District's combined fund balances, as of May 31, 2025, were $2,592,295, which consists of $542,106 in the General Fund, $2,046,822 in the Debt Service Fund, and $3,367 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	$ 582,528	$ 486,791
Total liabilities	$ 35,559	$ 35,340
Total deferred inflows	4,863	4,148
Total fund balance	542,106	447,303
Total liabilities, deferred inflows and fund balance	$ 582,528	$ 486,791

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

	2025	2024
Total revenues	$ 270,902	$ 240,515
Total expenditures	(194,014)	(202,435)
Revenues over expenditures	76,888	38,080
Other changes in fund balance	17,915	
Net change in fund balance	$ 94,803	$ 38,080

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 maintenance tax rate set by the District. While the District decreased its maintenance tax levy, property tax revenues increased because assessed values in the District increased from the prior year.

Debt Service Fund

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

	2025	2024
Total assets	$ 2,076,815	$ 1,533,552
Total liabilities	$ 1,305	$ 1,243
Total deferred inflows	28,688	20,351
Total fund balance	2,046,822	1,511,958
Total liabilities, deferred inflows and fund balance	$ 2,076,815	$ 1,533,552

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

	2025	2024
Total revenues	$ 1,431,813	$ 995,276
Total expenditures	(896,949)	(677,341)
Revenues over expenditures	534,864	317,935
Other changes in fund balance		99,609
Net change in fund balance	$ 534,864	$ 417,544

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues. During the previous fiscal year, financial resources also included capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the 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	$ 3,367	$ 189,168
Total fund balance	$ 3,367	$ 189,168

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

	2025	2024
Total revenues	$ 5,651	$ 9,140
Total expenditures	(6,423,537)	(4,247,532)
Revenues under expenditures	(6,417,886)	(4,238,392)
Other changes in fund balance	6,232,085	4,375,391
Net change in fund balance	$ (185,801)	$ 136,999

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2024 Unlimited Tax Bonds in the current fiscal year and the sale of its Series 2023 Unlimited Tax Bonds in the prior year.

General Fund Budgetary Highlights

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

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $29,938 greater than budgeted. The *Budgetary Comparison Schedule* on page 34 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of 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	$ 4,258,396	$ 3,237,948
Capital assets being depreciated		
Infrastructure	1,054,837	1,054,129
Less accumulated depreciation	(118,456)	(95,015)
Depreciable capital assets, net	936,381	959,114
Capital assets, net	$ 5,194,777	$ 4,197,062

Capital asset additions during the current fiscal year include Trails at Woodhaven Section 2 mass excavation, grading, clearing and grubbing.

The District and the Cities of La Marque and Hitchcock (the "Cities") 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 $5,151,746 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 10.

Long-Term Debt and Related Liabilities

As of May 31, 2025, the District owes approximately $14,638,453 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's

financial statements upon completion of construction. As discussed in Note 6, the District has an additional commitment in the amount of $6,900,000 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

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

Series	2025	2024
2016	$ 1,080,000	$ 1,080,000
2019	3,480,000	3,550,000
2021 Refunding	1,625,000	1,765,000
2022	1,680,000	1,740,000
2023	4,405,000	4,475,000
2024	6,250,000	
	$ 18,520,000	$ 12,610,000

During the current fiscal year, the District issued $6,250,000 in unlimited tax bonds. At May 31, 2025, the District had $29,875,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and $32,420,000 for refunding purposes.

Property Taxes

The District's property tax base increased approximately $22,616,000 for the 2025 tax year from $186,324,923 to $208,940,688. 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	$ 270,902	$ 320,466
Total expenditures	(194,014)	(179,755)
Revenues over expenditures	76,888	140,711
Other changes in fund balance	17,915	
Net change in fund balance	94,803	140,711
Beginning fund balance	447,303	542,106
Ending fund balance	$ 542,106	$ 682,817

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Basic Financial Statements

Galveston County Municipal Utility District No. 68
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	$ 12,068	$ 36,148	$ 3,527	$ 51,743	$ -	$ 51,743
Investments	530,863	2,012,593	33,823	2,577,279		2,577,279
Taxes receivable, net	4,863	28,688		33,551		33,551
Internal balances	34,597	(614)	(33,983)			
Other receivables	137			137		137
Capital assets not being depreciated					4,258,396	4,258,396
Capital assets, net					936,381	936,381
Total Assets	$ 582,528	$ 2,076,815	$ 3,367	$ 2,662,710	5,194,777	7,857,487
Deferred Outflows of Resources						
Deferred difference on refunding					30,862	30,862
Liabilities						
Accounts payable	$ 35,559	$ -	$ -	$ 35,559		35,559
Other payables		1,305		1,305		1,305
Accrued interest payable					171,471	171,471
Due to developer					14,638,453	14,638,453
Long-term debt						
Due within one year					350,000	350,000
Due after one year					18,214,871	18,214,871
Total Liabilities	35,559	1,305		36,864	33,374,795	33,411,659
Deferred Inflows of Resources						
Deferred property taxes	4,863	28,688		33,551	(33,551)	
Fund Balances/Net Position						
Fund Balances						
Restricted		2,046,822	3,367	2,050,189	(2,050,189)	
Unassigned	542,106			542,106	(542,106)	
Total Fund Balances	542,106	2,046,822	3,367	2,592,295	(2,592,295)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 582,528	$ 2,076,815	$ 3,367	$ 2,662,710		
Net Position						
Net investment in capital assets					(662,164)	(662,164)
Restricted for debt service					1,904,039	1,904,039
Unrestricted					(26,765,185)	(26,765,185)
Total Net Position					$ (25,523,310)	$ (25,523,310)

See notes to basic financial statements.

Galveston County Municipal Utility District No. 68
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	$ 248,877	$ 1,353,537	$ -	$ 1,602,414	$ 6,993	$ 1,609,407
Penalties and interest		9,538		9,538	2,059	11,597
Miscellaneous		80		80		80
Investment earnings	22,025	68,658	5,651	96,334		96,334
Total Revenues	270,902	1,431,813	5,651	1,708,366	9,052	1,717,418
Expenditures/Expenses						
Operating and administrative						
Professional fees	97,709		49,240	146,949		146,949
Contracted services	24,160	24,779		48,939		48,939
Repairs and maintenance	43,401			43,401		43,401
Administrative	26,244	5,312	581	32,137		32,137
Other	2,500			2,500		2,500
Capital outlay			5,390,304	5,390,304	(5,390,304)	
Debt service						
Principal		340,000		340,000	(340,000)	
Interest and fees		526,858		526,858	57,846	584,704
Developer interest			574,131	574,131		574,131
Debt issuance costs			409,281	409,281		409,281
Depreciation					23,441	23,441
Total Expenditures/Expenses	194,014	896,949	6,423,537	7,514,500	(5,649,017)	1,865,483
Revenues Over (Under) Expenditures/Expenses	76,888	534,864	(6,417,886)	(5,806,134)	5,658,069	(148,065)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds			6,250,000	6,250,000	(6,250,000)	
Internal transfers	17,915		(17,915)			
Other Items						
Transfers to other governments					(5,151,746)	(5,151,746)
Net Change in Fund Balances	94,803	534,864	(185,801)	443,866	(443,866)	
Change in Net Position					(5,299,811)	(5,299,811)
Fund Balance/Net Position						
Beginning of the year	447,303	1,511,958	189,168	2,148,429	(22,371,928)	(20,223,499)
End of the year	$ 542,106	$ 2,046,822	$ 3,367	$ 2,592,295	$ (28,115,605)	$ (25,523,310)

See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Galveston County Municipal Utility District No. 68 (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Texas Commission on Environmental Quality, dated August 23, 2006, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on August 28, 2006, and the first bonds were issued on November 10, 2009.

The District is responsible for providing water, sewer and drainage facilities within the District. As further discussed in Note 10, the District transfers these facilities to the cities of La Marque and Hitchcock for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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 sources of revenue are 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 of $1,912 was provided for possible uncollectible property taxes.

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 drainage facilities, are depreciated using the straight-line method over an estimated useful life of 45 years. The District's detention facilities 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.

Deferred outflows of financial resources at the government-wide level are from a refunding bond transaction in which the amount required to repay the old debt exceeded the net carrying amount of the old debt. This amount is being amortized to interest expense.

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 developer; the value of capital assets transferred to the cities of La Marque and Hitchcock and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds		$ 2,592,295
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 5,313,233	
Less accumulated depreciation	(118,456)	
		5,194,777
The difference between the face amount of bonds refunded and the amount paid to refund the bonds does not provide financial resources at the fund level and is recorded as a deferred outflow in the *Statement of Net Position* and amortized to interest expense.		30,862
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	(171,471)	
Due to developer	(14,638,453)	
Bonds payable, net	(18,564,871)	
		(33,374,795)
Deferred inflows in the fund statements consist of property taxes receivable that have been levied and are due, but are not available to pay current period expenditures. These amounts are included in revenues in the government-wide statements.		33,551
Total net position - governmental activities		$ (25,523,310)

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		$ 443,866
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 penalties and interest.		9,052
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	$ 5,390,304	
Transfers to other governments	(5,151,746)	
Depreciation expense	(23,441)	
		215,117
Financial reporting for certain 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 debt is issued and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future. Differences during the current fiscal year are for the following:		
Issuance of long-term debt	(6,250,000)	
Principal payments	340,000	
Interest expense accrual	(57,846)	
		(5,967,846)
Change in net position of governmental activities		$ (5,299,811)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to

recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

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

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

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

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	$ 530,863		
	Debt Service	2,012,593		
	Capital Projects	33,823		
Total		$ 2,577,279	AAAm	42 days

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.

Investment Credit and Interest Rate Risk

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

Note 4 – Interfund Balances and Transactions

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

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 614	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	33,983	Bond application fees and capital outlay paid by the General Fund

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

A summary of internal transfers for the current fiscal year is as follows:

Transfers Out	Transfers In	Amounts	Purpose
Capital Projects Fund	General Fund	$ 17,915	Reimbursement of capital outlay and bond application fees paid by General Fund

Note 5 – Capital Assets

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

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	$ 3,237,948	$ 1,020,448	$ 4,258,396
Capital assets being depreciated			
Infrastructure	1,054,129	708	1,054,837
Less accumulated depreciation	(95,015)	(23,441)	(118,456)
Subtotal depreciable capital assets, net	959,114	(22,733)	936,381
Capital assets, net	$ 4,197,062	$ 997,715	$ 5,194,777

Depreciation expense for the current fiscal year was $23,441.

Note 6 – Due to Developers

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

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

Due to developers, beginning of year	$ 13,855,854
Developer reimbursements	(5,390,304)
Developer funded construction and adjustments	6,172,903
Due to developers, end of year	$ 14,638,453

In addition, the District will owe the developers approximately $6,900,000, 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 statements upon completion of construction. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor.

	Contract Amount*
Sunset Grove Section 5 - utilities	$ 990,000
Bayou Ridge clearing and grubbing, detention, utilties and paving	5,910,000
	$ 6,900,000

*Rounded to the nearest $10,000

Note 7 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 18,520,000
Unamortized discounts	(19,440)
Unamortized premium	64,311
	$ 18,564,871
Due within one year	$ 350,000

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
2016	$ 1,080,000	$ 1,080,000	3.60% - 3.70%	September 1, 2035/2039	September 1, March 1	September 1, 2023
2019	3,480,000	3,845,000	2.00% - 3.375%	September 1, 2022/2044	September 1, March 1	September 1, 2024
2021 Refunding	1,625,000	2,020,000	2.00% - 3.00%	September 1, 2022/2034	September 1, March 1	September 1, 2026
2022	1,680,000	1,800,000	2.00% - 4.50%	September 1, 2023/2045	September 1, March 1	September 1, 2027
2023	4,405,000	4,475,000	4.00% - 6.50%	September 1, 2024/2048	September 1, March 1	September 1, 2029
2024	6,250,000	6,250,000	4.00%	September 1, 2026/2049	September 1, March 1	September 1, 2030
	$ 18,520,000					

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 $29,875,000 for water, sewer and drainage facilities and $32,420,000 for refunding purposes.

On October 22, 2024, the District issued its $6,250,000 Series 2024 Unlimited Tax Bonds at a net effective interest rate of 4.070341%. Proceeds of the bonds were used to reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds.

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

Bonds payable, beginning of year	$ 12,610,000
Bonds issued	6,250,000
Bonds retired	(340,000)
Bonds payable, end of year	$ 18,520,000

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

Year	Principal	Interest	Totals
2026	$ 350,000	$ 671,632	$ 1,021,632
2027	860,000	648,019	1,508,019
2028	625,000	618,849	1,243,849
2029	640,000	594,598	1,234,598
2030	650,000	571,253	1,221,253
2031	660,000	548,338	1,208,338
2032	670,000	525,025	1,195,025
2033	680,000	502,088	1,182,088
2034	695,000	479,956	1,174,956
2035	705,000	457,816	1,162,816
2036	715,000	433,496	1,148,496
2037	730,000	406,989	1,136,989
2038	750,000	379,773	1,129,773
2039	765,000	351,814	1,116,814
2040	785,000	323,259	1,108,259
2041	805,000	294,303	1,099,303
2042	825,000	264,919	1,089,919
2043	840,000	234,912	1,074,912
2044	865,000	204,150	1,069,150
2045	885,000	172,547	1,057,547
2046	905,000	141,907	1,046,907
2047	925,000	108,321	1,033,321
2048	955,000	69,858	1,024,858
2049	985,000	30,158	1,015,158
2050	250,000	5,000	255,000
	$ 18,520,000	$ 9,038,980	$ 27,558,980

Note 8 – 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 $0.864 per $100 of assessed value, of which $0.134 was allocated to maintenance and operations and $0.73 was allocated to debt service. The resulting tax levy was $1,609,847 on the adjusted taxable value of $186,324,923.

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

Current year taxes receivable	$ 17,424
Prior years taxes receivable	12,110
Less allowance for uncollectible accounts	(1,912)
	27,622
Penalty and interest receivable	5,929
Net property taxes receivable	$ 33,551

Note 9 – Transfers to Other Governments

In accordance with an agreement between the District and the cities of La Marque ("La Marque") and Hitchcock ("Hitchcock"), the District transfers all of its water, sewer, and drainage facilities for the portion of the District located in La Marque and Hitchcock (see Note 10). Accordingly, the District does not record these capital assets in the *Statement of Net Position* but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended May 31, 2024, the District reported transfers to other governments in the amount of $5,151,746 for projects completed and transferred to La Marque and Hitchcock.

The first section of lots located within the city limits of the City of Hitchcock ("Hitchcock") is under construction. Under the Hitchcock Code of Ordinances, upon completion of development, all utility lines and associated facilities shall become property of Hitchcock.

Note 10 – Utility Agreements

In July 2007, the District approved a Utility Service Contract (the "La Marque Contract") with La Marque, originally entered into between La Marque and the District's developer in 2005. In exchange for La Marque's provision of water and sewer services, the District constructs water distribution and wastewater collection facilities to serve the portion of the District within La Marque and, as construction is completed, conveys these facilities to La Marque. The term of the La Marque Contract is for 40 years, with automatic annual renewals thereafter, unless terminated.

The District has a similar Utility Services Contract with Hitchcock (the "Hitchcock Contract"). In exchange for Hitchcock's provision of water and sewer services, the District constructs water distribution and wastewater collection facilities to serve the portion of the District within Hitchcock and, as construction is completed, conveys these facilities to Hitchcock. The Hitchcock Contract was formally executed subsequent to fiscal year end on August 18, 2025, with an initial term of 40 years with automatic annual renewals thereafter, unless terminated.

Note 11 – Risk Management

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

Note 12 – Subsequent Event

On August 19, 2025, the District approved a draft preliminary official statement and notice of sale for its Series 2025 Unlimited Tax Bonds in the amount of $8,400,000. The bond sale is scheduled for November 4, 2025, with a closing date in late November. Proceeds of the bonds will primarily be used to reimburse developers for amounts currently reported in "Due to developer."

Required Supplementary Information

Galveston County Municipal Utility District No. 68
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended May 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 217,085	$ 248,877	$ 31,792
Investment earnings	20,400	22,025	1,625
Total Revenues	237,485	270,902	33,417
Expenditures			
Operating and administrative			
Professional fees	83,260	97,709	(14,449)
Contracted services	20,400	24,160	(3,760)
Repairs and maintenance	30,000	43,401	(13,401)
Administrative	33,360	26,244	7,116
Other	5,600	2,500	3,100
Total Expenditures	172,620	194,014	(21,394)
Revenues Over Expenditures	64,865	76,888	12,023
Other Financing Sources			
Internal transfers		17,915	17,915
Net Change in Fund Balance	64,865	94,803	29,938
Fund Balance			
Beginning of the year	447,303	447,303	
End of the year	$ 512,168	$ 542,106	$ 29,938

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Galveston County Municipal Utility District No. 68
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 than emergency interconnect)

☒ Other (Specify): Water and sewer services are provided by the City of La Marque/City of Hitchcock

2. Retail Service Providers N/A

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 _____

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 [X]

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

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

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

5. Location of District

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

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

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

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

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

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

ETJs in which the District is located: _____

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

If Yes, by whom? _____

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-2. General Fund Expenditures
For the Year Ended May 31, 2025

Professional fees		
Legal	$	74,554
Audit		14,000
Engineering		9,155
		97,709
Contracted services		
Bookkeeping		24,160
Repairs and maintenance		43,401
Administrative		
Directors fees		13,039
Printing and office supplies		2,122
Insurance		3,368
Other		7,715
		26,244
Other		2,500
Total expenditures	$	194,014

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-3. Investments
May 31, 2025

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	$ 530,863
Debt Service			
TexPool	Variable	N/A	2,012,593
Capital Projects			
TexPool	Variable	N/A	25,614
TexPool	Variable	N/A	8,209
			33,823
Total - All Funds			$ 2,577,279

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-4. Taxes Levied and Receivable
May 31, 2025

	Maintenance Taxes	Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 4,148	$ 16,480	$ 20,628
Adjustments to Prior Year Tax Levy	(83)	(356)	(439)
Adjusted Receivable	4,065	16,124	20,189
2024 Original Tax Levy	235,738	1,284,242	1,519,980
Adjustments	13,938	75,929	89,867
Adjusted Tax Levy	249,676	1,360,171	1,609,847
Total to be accounted for	253,741	1,376,295	1,630,036
Tax collections:			
Current year	246,973	1,345,450	1,592,423
Prior years	1,904	8,087	9,991
Total Collections	248,877	1,353,537	1,602,414
Taxes Receivable, End of Year	$ 4,864	$ 22,758	$ 27,622
Taxes Receivable, By Years			
2024	$ 2,703	$ 14,721	$ 17,424
2023	781	3,333	4,114
2022	757	3,001	3,758
2021 and prior	623	1,703	2,326
Taxes Receivable, End of Year	$ 4,864	$ 22,758	$ 27,622

	2024	2023	2022	2021
Property Valuations:				
Land	$ 52,573,524	$ 22,095,270	$ 18,016,800	$ 17,076,600
Improvements	142,447,468	117,656,039	87,481,870	66,408,136
Personal Property	1,367,700	1,206,590	908,860	718,240
Exemptions	(10,063,769)	(6,174,682)	(3,614,365)	(1,726,167)
Total Property Valuations	$ 186,324,923	$ 134,783,217	$ 102,793,165	$ 82,476,809
Tax Rates per $100 Valuation:				
Maintenance tax rates	$ 0.134	$ 0.164	$ 0.174	$ 0.224
Debt service tax rates	0.730	0.700	0.690	0.640
Total Tax Rates per $100 Valuation	$ 0.864	$ 0.864	$ 0.864	$ 0.864
Adjusted Tax Levy:	$ 1,609,847	$ 1,164,527	$ 888,133	$ 712,600
Percentage of Taxes Collected to Taxes Levied **	98.92%	99.65%	99.58%	99.67%

* 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. 68
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	$ -	$ 39,525	$ 39,525
2027		39,525	39,525
2028		39,525	39,525
2029		39,525	39,525
2030		39,525	39,525
2031		39,525	39,525
2032		39,525	39,525
2033		39,525	39,525
2034		39,525	39,525
2035		39,525	39,525
2036	220,000	35,565	255,565
2037	215,000	27,735	242,735
2038	215,000	19,888	234,888
2039	215,000	11,933	226,933
2040	215,000	3,977	218,977
	$ 1,080,000	$ 494,348	$ 1,574,348

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 75,000	$ 111,289	$ 186,289
2027	75,000	109,451	184,451
2028	80,000	107,474	187,474
2029	80,000	105,354	185,354
2030	85,000	103,084	188,084
2031	85,000	100,619	185,619
2032	85,000	98,069	183,069
2033	90,000	95,444	185,444
2034	90,000	92,687	182,687
2035	95,000	89,797	184,797
2036	100,000	86,687	186,687
2037	115,000	83,194	198,194
2038	125,000	79,294	204,294
2039	140,000	74,987	214,987
2040	150,000	70,275	220,275
2041	375,000	61,509	436,509
2042	390,000	48,600	438,600
2043	400,000	35,268	435,268
2044	415,000	21,515	436,515
2045	430,000	7,256	437,256
	$ 3,480,000	$ 1,581,853	$ 5,061,853

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-5. Long-Term Debt Service Requirements
Series 2021 Refunding--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 140,000	$ 36,350	$ 176,350
2027	150,000	32,000	182,000
2028	150,000	27,500	177,500
2029	155,000	22,925	177,925
2030	160,000	19,000	179,000
2031	165,000	15,750	180,750
2032	170,000	12,400	182,400
2033	175,000	8,950	183,950
2034	180,000	5,400	185,400
2035	180,000	1,800	181,800
	$ 1,625,000	$ 182,075	$ 1,807,075

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-5. Long-Term Debt Service Requirements
Series 2022--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ 60,000	$ 42,237	$ 102,237
2027	60,000	39,687	99,687
2028	65,000	37,031	102,031
2029	65,000	35,000	100,000
2030	65,000	33,700	98,700
2031	70,000	32,350	102,350
2032	70,000	30,950	100,950
2033	70,000	29,550	99,550
2034	75,000	28,100	103,100
2035	80,000	26,450	106,450
2036	40,000	25,100	65,100
2037	45,000	24,116	69,116
2038	45,000	23,047	68,047
2039	45,000	21,950	66,950
2040	50,000	20,763	70,763
2041	55,000	19,450	74,450
2042	55,000	18,075	73,075
2043	55,000	16,700	71,700
2044	55,000	15,291	70,291
2045	55,000	13,847	68,847
2046	500,000	6,563	506,563
	$ 1,680,000	$ 539,957	$ 2,219,957

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
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	$ 75,000	$ 192,231	$ 267,231
2027	75,000	187,356	262,356
2028	80,000	182,319	262,319
2029	90,000	176,794	266,794
2030	90,000	170,944	260,944
2031	90,000	165,094	255,094
2032	95,000	159,081	254,081
2033	95,000	153,619	248,619
2034	100,000	149,244	249,244
2035	100,000	145,244	245,244
2036	105,000	141,144	246,144
2037	105,000	136,944	241,944
2038	115,000	132,544	247,544
2039	115,000	127,944	242,944
2040	120,000	123,244	243,244
2041	125,000	118,344	243,344
2042	130,000	113,244	243,244
2043	135,000	107,944	242,944
2044	145,000	102,344	247,344
2045	150,000	96,444	246,444
2046	155,000	90,344	245,344
2047	675,000	73,321	748,321
2048	705,000	44,858	749,858
2049	735,000	15,158	750,158
	$ 4,405,000	$ 3,105,747	$ 7,510,747

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-5. Long-Term Debt Service Requirements
Series 2024--by Years
May 31, 2025

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2026	$ -	$ 250,000	$ 250,000
2027	500,000	240,000	740,000
2028	250,000	225,000	475,000
2029	250,000	215,000	465,000
2030	250,000	205,000	455,000
2031	250,000	195,000	445,000
2032	250,000	185,000	435,000
2033	250,000	175,000	425,000
2034	250,000	165,000	415,000
2035	250,000	155,000	405,000
2036	250,000	145,000	395,000
2037	250,000	135,000	385,000
2038	250,000	125,000	375,000
2039	250,000	115,000	365,000
2040	250,000	105,000	355,000
2041	250,000	95,000	345,000
2042	250,000	85,000	335,000
2043	250,000	75,000	325,000
2044	250,000	65,000	315,000
2045	250,000	55,000	305,000
2046	250,000	45,000	295,000
2047	250,000	35,000	285,000
2048	250,000	25,000	275,000
2049	250,000	15,000	265,000
2050	250,000	5,000	255,000
	$ 6,250,000	$ 3,135,000	$ 9,385,000

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
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 March 1, September 1	Total
2026	$ 350,000	$ 671,632	$ 1,021,632
2027	860,000	648,019	1,508,019
2028	625,000	618,849	1,243,849
2029	640,000	594,598	1,234,598
2030	650,000	571,253	1,221,253
2031	660,000	548,338	1,208,338
2032	670,000	525,025	1,195,025
2033	680,000	502,088	1,182,088
2034	695,000	479,956	1,174,956
2035	705,000	457,816	1,162,816
2036	715,000	433,496	1,148,496
2037	730,000	406,989	1,136,989
2038	750,000	379,773	1,129,773
2039	765,000	351,814	1,116,814
2040	785,000	323,259	1,108,259
2041	805,000	294,303	1,099,303
2042	825,000	264,919	1,089,919
2043	840,000	234,912	1,074,912
2044	865,000	204,150	1,069,150
2045	885,000	172,547	1,057,547
2046	905,000	141,907	1,046,907
2047	925,000	108,321	1,033,321
2048	955,000	69,858	1,024,858
2049	985,000	30,158	1,015,158
2050	250,000	5,000	255,000
	$ 18,520,000	$ 9,038,980	$ 27,558,980

See accompanying auditor's report.

Galveston County Municipal Utility District No. 68
TSI-6. Change in Long-Term Bonded Debt
May 31, 2025

	Bond Issue			
	Series 2016	Series 2019	Series 2021 Refunding	Series 2022
Interest rate	3.60% - 3.70%	2.00% - 3.375%	2.00% - 3.00%	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	9/1/35 - 9/1/39	9/1/20 - 9/1/44	9/1/22 - 9/1/34	9/1/23 - 9/1/45
Beginning bonds outstanding	$ 1,080,000	$ 3,550,000	$ 1,765,000	$ 1,740,000
Bonds issued				
Bonds retired		(70,000)	(140,000)	(60,000)
Ending bonds outstanding	$ 1,080,000	$ 3,480,000	$ 1,625,000	$ 1,680,000
Interest paid during fiscal year	$ 39,525	$ 112,994	$ 40,550	$ 44,862
Paying agent's name and city				
Series 2009	Wells Fargo, N.A., Austin, TX			
All other series	The Bank of New York Mellon Trust Company, Na., Dallas, TX			

Bond Authority:	Water, Sewer and Drainage Bonds	Refunding Bonds
Amount Authorized by Voters	$ 50,000,000	$ 32,500,000
Amount Issued	(20,125,000)	(80,000)
Remaining To Be Issued	$ 29,875,000	$ 32,420,000

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:	$ 2,048,741
Average annual debt service payment (principal and interest) for remaining term of all debt:	$ 1,102,359

See accompanying auditor's report.

Bond Issue		
Series 2023	Series 2024	Totals
4.00% - 6.50% 9/1; 3/1 9/1/24 - 9/1/48	4.00% 9/1; 3/1 9/1/26 - 9/1/49	
$ 4,475,000	$ -	$ 12,610,000
	6,250,000	6,250,000
(70,000)		(340,000)
$ 4,405,000	$ 6,250,000	$ 18,520,000
$ 196,944	$ 89,583	$ 524,458

Galveston County Municipal Utility District No. 68
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	$ 248,877	$ 219,049	$ 178,566	$ 184,582	$ 181,505
Investment earnings	22,025	21,466	12,568	421	288
Total Revenues	270,902	240,515	191,134	185,003	181,793
Expenditures					
Operating and administrative					
Professional fees	97,709	119,592	88,997	109,976	85,867
Contracted services	24,160	22,050	20,650	19,445	16,159
Repairs and maintenance	43,401	28,326	19,450		15,173
Administrative	26,244	27,196	24,568	14,809	12,516
Other	2,500	5,271	159	3,581	3,343
Total Expenditures	194,014	202,435	153,824	147,811	133,058
Revenues Over Expenditures	$ 76,888	$ 38,080	$ 37,310	$ 37,192	$ 48,735

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
92%	91%	93%	100%	100%
8%	9%	7%	*	*
100%	100%	100%	100%	100%
36%	50%	47%	59%	47%
9%	9%	11%	11%	9%
16%	12%	10%		8%
10%	11%	13%	8%	7%
1%	2%	*	2%	2%
72%	84%	81%	80%	73%
28%	16%	19%	20%	27%

Galveston County Municipal Utility District No. 68
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	$ 1,353,537	$ 934,795	$ 706,816	$ 526,961	$ 461,679
Penalties and interest	9,538	3,162	2,298	807	1,785
Miscellaneous	80	80	577	1,876	126
Investment earnings	68,658	57,239	27,562	861	540
Total Revenues	1,431,813	995,276	737,253	530,505	464,130
Expenditures					
Tax collection services	30,091	23,858	21,244	20,647	14,782
Debt service					
Principal	340,000	265,000	195,000	165,000	170,000
Interest and fees	526,858	388,483	258,698	229,786	281,994
Debt issuance costs				134,484	11,000
Total Expenditures	896,949	677,341	474,942	549,917	477,776
Revenues Over (Under) Expenditures	$ 534,864	$ 317,935	$ 262,311	$ (19,412)	$ (13,646)

*Percentage is negligible

See accompanying auditor's report.

Percent of Fund Total Revenues				
2025	2024	2023	2022	2021
94%	94%	96%	100%	100%
1%	*	*	*	*
*	*	*	*	*
5%	6%	4%	*	*
100%	100%	100%	100%	100%
2%	2%	3%	4%	3%
24%	27%	26%	31%	37%
37%	39%	35%	43%	61%
			25%	2%
63%	68%	64%	103%	103%
37%	32%	36%	(3%)	(3%)

Galveston County Municipal Utility District No. 68
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended May 31, 2025

Complete District Mailing Address:	3200 Southwest Freeway, Suite 2600, Houston, TX 77027
District Business Telephone Number:	(713) 860-6400
Submission Date of the most recent District Registration Form (TWC Sections 36.054 and 49.054):	May 20, 2025
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				
Suzanne Ross	05/22 - 05/26	$ 2,210	$ 196	President
Randall H. Trncak	05/24 - 05/28	2,431	953	Vice President
Cory Burton	05/24 - 05/28	2,210	148	Secretary
Vacant				Assistant Vice President
Joanne Lannin	05/22 - 05/26	2,431	572	Assistant Secretary
Bobby E. Rich	05/22 - 05/26	3,757	196	Former Director
Consultants		Amounts Paid		
Allen Boone Humphries Robinson LLP	08/06			Attorney
General legal fees		$ 75,439		
Bond counsel		171,373		
McLennan & Associates, L.P.	09/06	27,555		Bookkeeper
Bob Leared Interests, Inc.	09/06	13,902		Tax Collector
Galveston Central Appraisal District	Legislation	8,693		Property Valuation
Perdue Brandon Fielder Collins and Mott, LLP	05/07	2,184		Delinquent Tax Attorney
Pape-Dawson Engineers, LLP	09/06	60,347		Engineer
McGrath & Co., PLLC	03/11	14,000		Auditor
Masterson Advisors, LLC	06/18	120,508		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: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

SPECIMEN

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

To the fullest extent permitted by applicable law, AG 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 AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

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

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

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019 (212) 974-0100

Form 500 (8/24)

SPECIMEN