

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the purpose of soliciting initial bids on the Bonds. Upon the sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchaser.

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

THE BONDS WILL BE DESIGNATED, (OR WILL BE DEEMED DESIGNATED) BY THE DISTRICT AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS. SEE “TAX MATTERS—QUALIFIED TAX-EXEMPT OBLIGATIONS.”

NEW ISSUE - Book-Entry-Only

Underlying Rating: Moody’s “A2”
(see “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE” herein)

\$6,500,000
GALVESTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
(A political subdivision of the State of Texas located within Galveston County)
UNLIMITED TAX BONDS, SERIES 2026

Dated: August 1, 2026

Due: April 1, as shown below

Principal of the Bonds is payable at maturity at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from August 1, 2026, and is payable on each October 1 and April 1, commencing October 1, 2026, until maturity or prior redemption. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof.

The Bonds will be registered and delivered only 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 (as defined herein under “BOOK-ENTRY-ONLY SYSTEM”) of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the DTC participants. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar, directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners. See “BOOK-ENTRY-ONLY SYSTEM.”

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

Due April 1	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number 364210 (c)	Due April 1	Principal Amount (a)	Interest Rate	Initial Reoffering Yield (b)	CUSIP Number 364210 (c)
2031	\$ 195,000				2041	\$ 320,000	(d)		
2032	205,000	(d)			2042	335,000	(d)		
2033	215,000	(d)			2043	355,000	(d)		
2034	225,000	(d)			2044	370,000	(d)		
2035	235,000	(d)			2045	390,000	(d)		
2036	250,000	(d)			2046	410,000	(d)		
2037	260,000	(d)			2047	430,000	(d)		
2038	275,000	(d)			2048	455,000	(d)		
2039	290,000	(d)			2049	480,000	(d)		
2040	305,000	(d)			2050	500,000	(d)		

- (a) The Initial Purchaser (as defined herein) may elect to designate one or more term bonds. See accompanying Official Notice of Sale and Official Bid Form.
- (b) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest is to be added to the price.
- (c) CUSIP numbers have been assigned to the Bonds by the 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.
- (d) Bonds maturing on and after April 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on April 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS-Redemption Provisions.”

The Bonds described above (the “Bonds”) are obligations solely of Galveston County Fresh Water Supply District No. 6 (the “District”) and are not obligations of the State of Texas, Galveston County, the Village of Tiki Island, Texas or any entity other than the District. The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District as further described herein. The Bonds are subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Wallace & Philbin, L.L.P., Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected on or about August 19, 2026.

Bids Due: Wednesday, July 15, 2026, at 10:00 A.M., Houston Time in Houston, Texas
Bid Award: Wednesday, July 15, 2026, at 1:00 P.M., Houston Time in Houston, Texas

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or 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, orders, resolutions, contracts, audits, and 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 the District, c/o Wallace & Philbin, L.L.P., 6363 Woodway, Suite 800, Houston, Texas 77057-1762, 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.”

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description Galveston County Fresh Water Supply District No. 6 (the “District”), a political subdivision of the State of Texas, was created by order of the Commissioners Court of Galveston County, declaring the results of an election held in the District on August 11, 1979, pursuant to Chapter 53 of the Texas Water Code. By order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the “TCEQ”), on October 23, 1979, the District was converted to a municipal utility district, and currently operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. A portion of the District lies within the corporate limits of the Village of Tiki Island, Texas, a general law city. Remaining portions of the District lie within the extraterritorial jurisdictions of the City of Hitchcock, the City of Galveston and the City of Texas City. The District is located in Galveston County on the west side of Interstate Highway 45 approximately 45 miles south of the central business district of Houston and 8 miles north of the central business district of Galveston near the northern foot of the dual span causeway that links the mainland and Galveston Island. The District contains approximately 420 acres of land and 1,441 acres of surrounding water. See “THE DISTRICT” and “AERIAL PHOTOGRAPH.”

Status of Development The District encompasses all of the Village of Tiki Island, Texas. Approximately 60% of the homeowners are permanent residents and the balance of such homes are second homes. Substantially all home sites (1,395 developed lots) are located on bulk-headed water frontage facing either Galveston West Bay, Jones Lake or a deep-water canal system leading into the bay and the lake. Individual homeowners have bought adjoining lots resulting in some homeowners occupying multiple lots that do not have any vertical improvements. As of May 28, 2026, the District contained approximately 1,027 occupied single-family residential homes, 4 unoccupied single-family residential homes, 30 occupied townhomes and condominiums, 6 single-family residential homes either under construction or in the name of a builder, and 173 platted but vacant lots that are served by water and sanitary sewer facilities. In addition, a church, a 12,000 square foot office building, a convenience store and a service station, and a 77-unit RV park are located in the District. See “THE DISTRICT.”

Payment Record..... The District has previously issued one series of waterworks and sewer system combination unlimited tax and revenue bonds, one series of waterworks and sewer system combination unlimited tax and revenue refunding bonds, one series of waterworks and sewer system unlimited tax bonds, four series of unlimited tax bonds, and three series of unlimited tax refunding bonds, of which a total of \$8,110,000 principal amount will remain outstanding as of May 31, 2026 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on any of the Outstanding Bonds.

THE FINANCING

Description \$6,500,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”) are being issued pursuant to an order authorizing the issuance of the Bonds adopted by the District’s Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature on April 1 in each of the years and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from August 1, 2026, and is payable on October 1, 2026, and each April 1 and October 1 thereafter, until maturity or earlier redemption. See “THE BONDS—General.”

Redemption Provisions Bonds maturing on and after April 1, 2032, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on April 1, 2031, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS— Redemption Provisions.”

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

Use of Proceeds..... Proceeds from the sale of the Bonds will be used to pay for items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS,” including twelve months of capitalized interest, and to pay certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Source of and

Security for Payment..... Principal and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limit as to rate or amount levied, upon all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Galveston County, the Village of Tiki Island, Texas or any entity other than the District. See “THE BONDS – Source of and Security for Payment.”

Qualified Tax-Exempt

Obligations The Bonds will be designated (or will be deemed designated) by the District as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

Authority for Issuance.....

The Bonds are issued by the District pursuant to the terms and conditions of an order authorizing the issuance of the bonds (the “Bond Order”), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, an election held within the District, an order of the TCEQ, and the 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.”

Municipal Bond Rating and

Municipal Bond Insurance... Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying credit rating of “A2” to the Bonds. An explanation of such rating may be obtained from Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The fees associated with the ratings assigned to the District by Moody’s will be paid by the District; however, the fee associated with ratings provided by other agencies, if any, will be at the expense of the Initial Purchaser. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody’s, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

An application has also been made for municipal bond insurance. If qualified, the purchase of municipal bond insurance is optional and at the expense of the Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

Bond Counsel..... Wallace & Philbin, L.L.P., Houston, Texas.

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

Financial Advisor Post Oak Municipal Advisors LLC, Houston, Texas.

Paying Agent/Registrar..... The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds are subject to special investment risks, and all prospective purchasers are urged to examine carefully the entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Certified Taxable Assessed Valuation.....	\$759,374,588 (a)
Preliminary Taxable Assessed Valuation as of January 1, 2026.....	\$771,639,244 (b)
 Gross Debt Outstanding (after issuance of the Bonds).....	 \$14,610,000
Estimated Overlapping Debt.....	35,913,515 (c)
Gross Debt Outstanding and Estimated Overlapping Debt.....	\$50,523,515
 Ratios of Gross Debt to:	
2025 Certified Taxable Assessed Valuation.....	1.92%
Preliminary Taxable Assessed Valuation as of January 1, 2026.....	1.89%
 Ratios of Gross Debt and Estimated Overlapping Debt to:	
2025 Certified Taxable Assessed Valuation.....	6.65%
Preliminary Taxable Assessed Valuation as of January 1, 2026.....	6.55%
 <u>Funds Available</u> (Unaudited as of May 31, 2026):	
Operating Fund.....	\$1,432,829
Capital Projects Fund.....	\$1,026,127
Debt Service Fund.....	\$220,373 (d)
 2025 Debt Service Tax Rate.....	 \$0.120000
2025 Maintenance and Operations Tax Rate.....	\$0.074000
Total.....	\$0.194000
 Projected Average Annual Debt Service Requirements (2026-2050) of the Bonds and the Outstanding Bonds ("Average Requirement").....	
	\$930,291
 Projected tax rate required to pay Average Requirement based upon:	
2025 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$0.13 /\$100 A.V.
Preliminary Taxable Assessed Valuation as of January 1, 2026 at a 95% collection rate.....	\$0.13 /\$100 A.V.
 Projected Maximum Annual Debt Service Requirements (2027) of the Bonds and the Outstanding Bonds ("Maximum Requirement").....	
	\$1,139,022
 Projected tax rate required to pay Maximum Requirement based upon:	
2025 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$0.16 /\$100 A.V.
Preliminary Taxable Assessed Valuation as of January 1, 2026 at a 95% collection rate.....	\$0.16 /\$100 A.V.
 <u>Status of Water Connections</u> (as of May 28, 2026)	
Single-family residential occupied.....	1,027
Single-family residential vacant.....	4
Builder.....	6
Multifamily.....	30
Commercial.....	19
Total.....	1,086
 Estimated 2025 Population.....	 3,655 (e)

- (a) As certified by the Galveston Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for information purposes only. Such amount reflects the preliminary value of taxable improvements on January 1, 2026. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2025, and January 1, 2026, will be certified as of January 1, 2026, and provided for purposes of taxation in the fall of 2026. See "TAX PROCEDURES."
- (c) See "ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES."
- (d) Accrued interest and twelve (12) months of capitalized interest on the Bonds will be deposited to the Debt Service Fund. Neither the Bond Order nor Texas law requires that the District maintain any particular balance of funds.
- (e) Based upon 3.5 persons per occupied single-family residence and 2.0 person per apartment unit.

PRELIMINARY OFFICIAL STATEMENT

\$6,500,000

GALVESTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 6
(A political subdivision of the State of Texas located within Galveston County)
UNLIMITED TAX BONDS, SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Galveston County Fresh Water Supply District No. 6 (the “District”) of its \$6,500,000 Unlimited Tax Bonds, Series 2026 (the “Bonds”).

The Bonds are issued by the District pursuant to the terms and conditions of an order authorizing the issuance of the Bonds (the “Bond Order”), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, an election held within the District, an order of the Texas Commission on Environmental Quality (the “TCEQ” or “Commission”), and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

THE BONDS

Description

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

The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (hereinafter defined) to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Method of Payment of Principal and Interest

In the Bond Order, the Board has appointed The Bank of New York Mellon Trust Company, N.A. in Houston, Texas as the initial Paying Agent/Registrar for the Bonds (the “Paying Agent/Registrar,” “Paying Agent,” or “Registrar”). The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued and physical bond certificates are issued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Houston, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the March 15 or September 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar’s records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

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

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 to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, an annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Order, 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 obligations of the State of Texas, Galveston County, the Village of Tiki Island, Texas, or any entity other than the District.

Funds

In the Bond Order, 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 Order shall be deposited, as collected, in such fund.

Accrued interest and twelve (12) months of capitalized interest on the Bonds 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 (as defined in the Bond Order), to pay the costs of acquiring or constructing District facilities and for paying the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after April 1, 2032, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on April 1, 2031, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and the amounts thereof to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are to be redeemed, the particular Bonds shall be selected by DTC in accordance with its procedures. See "BOOK-ENTRY-ONLY SYSTEM." Notice of each exercise of the reserved right of optional redemption shall be given by the Paying Agent/Registrar at least thirty (30) calendar days prior to the redemption date, in the manner specified in the Bond Order.

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.

Authority for Issuance

At a bond election held within the District on May 3, 2025, voters of the District authorized the issuance of \$18,000,000 of unlimited tax bonds for water, sewer and drainage facilities, all of which may be used for refunding purposes. After the issuance of the Bonds, the District will have \$11,500,000 of authorized but unissued bonds for the purpose of water, sewer and drainage facilities and the refunding of such bonds from the May 3, 2025, bond election. Additionally, the District will have no authorized bonds remaining unissued from the November 5, 2013, bond election; however, the District will have \$4,058 in authorized bonds for water, sewer and drainage facilities remaining from an election held on January 20, 2001. See "Issuance of Additional Debt."

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

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

Payment Record

The District has previously issued one series of waterworks and sewer system combination unlimited tax and revenue bonds, one series of waterworks and sewer system combination unlimited tax and revenue refunding bonds, one series of waterworks and sewer system unlimited tax bonds, four series of unlimited tax bonds, and three series of unlimited tax refunding bonds, of which a total of \$8,110,000 principal amount will remain outstanding as of May 31, 2026 (the "Outstanding Bonds"). The District has never defaulted in the payment of principal and interest on any of the Outstanding Bonds.

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 Order.

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

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

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

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, destroyed, or stolen, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

On May 3, 2025, the District voters approved the issuance of a total of \$18,000,000 of unlimited tax bonds for water, sewer, and drainage facilities and the for the refunding of such bonds. After the Issuance of the Bonds, the District will have \$11,500,000 in principal amount of unlimited tax bonds authorized but unissued for water, sewer, and drainage facilities and for the refunding of such bonds remaining from its May 3, 2025, bond election. Additionally, the District will have no principal amount of unlimited tax bonds authorized but unissued for water, sewer, and drainage facilities and for refunding such bonds remaining from its November 5, 2013, bond election; however, the District will have \$4,058 in authorized bonds for water, sewer and drainage facilities remaining from an election held on January 20, 2001. The Bond Order 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. See “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED.”

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park project and bonds by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District or three percent if the District meets certain financial feasibility requirements of the TCEQ. The District has not considered authorizing preparation of a park plan nor calling a park bond election at this time.

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

Fire Protection Plan and Agreement

The District also is authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) approval of a detailed fire plan by the TCEQ; (b) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (c) approval of the bonds for such purpose by the TCEQ; and (d) approval of the bonds by the Attorney General of Texas. On March 19, 2012, the TCEQ approved a Fire Protection Plan and Fire Protection Agreement for the District. On April 20, 2022, the District adopted a Resolution Adopting Amended Fire Protection Plan and Agreement and Authorizing Application to the TCEQ for approval of said plan. The TCEQ approved the Amended Fire Protection Plan and Amended Fire Protection Agreement by Order dated October 19, 2022. At an election held on November 8, 2022, voters approved the Amended Fire Protection Plan and mandatory plan to finance and contract to provide fire-fighting and emergency medical services for the District and impose an amended mandatory fee on residents not to exceed \$45.00 per month per equivalent connection to finance said services. The District contracts with Tiki Island Volunteer Fire Department for fire protection and emergency medical services and pays over the fire protection fees it collects to Tiki Island Volunteer Fire Departments, pursuant to such contract. No fire protection bonds have been submitted to the District voters, nor have any such bonds been approved or issued by the District. See “THE SYSTEM—Fire Protection Plan.”

Issuance of additional bonds could dilute the investment security for the Bonds.

Annexation

Under Texas law, since the ordinances of the cities of Hitchcock, Galveston and Texas City consenting to the incorporation of the Village of Tiki Island left it without any extraterritorial jurisdiction, the Village of Tiki Island is without the power to annex parts of the District which extend beyond its corporate limits. Texas law may provide a means whereby the Village of Tiki Island could abolish the District and assume all assets and liabilities of the District including the Bonds. No representation is made whether the Village of Tiki Island will abolish the District or, in such event, whether the Village of Tiki Island’s would have the ability to make debt service payments. The cities of Hitchcock, Galveston and Texas City are not restricted from annexing those portions of the District which lie within the extraterritorial jurisdiction of each respective city. No representation is made that any of these cities will ever annex a portion of the District. Moreover, no representation is made concerning the ability of the annexing city to make debt service payments should annexation of a portion of the District occur.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with

which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently is not contemplating consolidation.

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 Order, or defaults in the observance or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order 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 Order 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 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 Order 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 (a) 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 (b) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (i) direct obligations of the United States of America, (ii) 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 (iii) 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 pay 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: (a) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (b) 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 (c) 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. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with other such investments, notwithstanding the fact that such investments may not be of the same investment quality of those currently permitted under Texas law.

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 are on file with DTC.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds. The Bonds 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 from S&P Global Ratings of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial

Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 Fresh Water Supply District No. 6 (the "District"), a political subdivision of the State of Texas, was created by order of the Commissioners Court of Galveston County, declaring the results of an election held in the District on August 11, 1979, pursuant to Chapter 53 of the Texas Water Code. By order of the Texas Water Commission, predecessor to the TCEQ, on October 23, 1979, the District was converted to a municipal utility district, and now operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District is empowered, among other things, to purchase, construct, operate and

maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

Description

The District contains approximately 420 acres of land and 1,441 acres of surrounding water. The District is located in Galveston County on the west side of Interstate Highway 45 approximately 45 miles south of the central business district of Houston and 8 miles north of the central business district of Galveston near the northern foot of the dual span causeway that links the mainland and Galveston Island. All of the 420 developable acres of the District lies within the corporate limits of the Village of Tiki Island, Texas, a general law city. Remaining portions of the District lie within the extraterritorial jurisdictions of the City of Hitchcock, the City of Galveston and the City of Texas City.

Status of Development

Approximately 60% of the homeowners are permanent residents. There are approximately 415 acres of land in the District (1,395 developed lots) provided with internal facilities. Individual homeowners have bought adjoining lots resulting in some homeowners occupying multiple lots that do not have any vertical construction. As of May 28 2026, the District contained approximately 1,027 occupied single-family residential homes, 4 unoccupied single-family residential homes, 30 occupied townhomes and condominiums, 6 single-family residential homes either under construction or in the name of a builder, and 173 platted but vacant lots that are served by water and sanitary sewer facilities. In addition, a church, a 12,000 square foot office building, a convenience store and a service station, and a 77-unit RV park are located in the District.

MANAGEMENT OF THE DISTRICT

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. All of the Directors listed below reside within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors’ elections are held only in May of even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
James J. Sandy III	President	May 2030
James C. Wheeler	Vice President	May 2030
Michael Boone	Secretary/Treasurer	May 2028
Jeremy Benefiel	Assistant Secretary	May 2028
Freddie Carmichael	Director	May 2028

General Manager

The District has employed Stephen E. Jefferson since 1985 to serve as General Manager of the District. Mr. Jefferson is a licensed water and sewer operator and is responsible for operation and management of the water system and wastewater treatment system. Mr. Jefferson has 50 years of experience in public administration and management. Mr. Jefferson also handles the monthly billing for water and sewer service. The District employs a total of 5 individuals to handle operation and management of the system.

The District provides retirement, disability and death benefits for all of its full-time employees through a non-traditional defined benefit plan in the state-wide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, consisting of 641 nontraditional defined benefit pension plans. TCDRS issues a comprehensive annual financial report (“CAFR”) on a calendar year basis. The CAFR is available, upon written request, from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034 or online at www.tcdrs.org. The employer has chosen a variable rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer was 5% and the contribution rate for employees was 5%, as adopted by the governing body of the employer.

District Consultants

Bond Counsel and General Counsel: Wallace & Philbin, L.L.P. serves as Bond Counsel to the District. The fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. In addition, Wallace & Philbin, L.L.P. serves as general counsel to the District on matters other than the issuance of bonds.

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

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P. serves as Disclosure Counsel to the District. The fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

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 TCEQ. The District's financial statements for the year ended September 30, 2025, were audited by Knox Cox & Company, L.L.P., Sugar Land, Texas. See "APPENDIX A" for a copy of the District's September 30, 2025, financial statements.

Engineer: The District's consulting engineer is Sander Engineering Corporation (the "Engineer").

Tax Appraisal and Collections: Land and improvements within the District were appraised for ad valorem taxation purposes by the Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District. Krystal McKinney, the Galveston County Tax Assessor/Collector, is currently serving in this capacity for the District. See "TAXING PROCEDURES."

THE SYSTEM

According to the Engineer (hereinafter defined), the District's water distribution and sanitary sewer collection facilities (collectively, the "System") have been designed in accordance with the criteria of various regulatory agencies including Galveston County and the TCEQ.

Water Supply

The District has entered into an agreement with the Gulf Coast Water Authority (the "Authority") to receive treated surface water from the Authority. The District rechlorinates and pumps the water into the distribution system from its water plant located at the northeast edge of the District. The District's Water Plant contains three ground storage tanks with a combined capacity of 858,000 gallons, two 15,000 gallon hydropneumatic tanks, and four booster pumps with total capacity of 3,000 gpm. Additionally, the District has constructed a 450 gpm well to supplement the water supplied by the Authority. The ground water does not meet TCEQ drinking water quality standards and has to be treated by reverse osmosis to comply. According to the Engineer, the current water facilities will be adequate to provide capacity to serve the ultimate projected build-out of the District of 2,500 equivalent single-family connections.

Wastewater Collection and Treatment

Wastewater treatment service is currently provided by a 320,000 gpd wastewater treatment plant located within the District. The wastewater treatment plant has capacity to serve 2,500 equivalent single-family connections, which, based on current land usage projection, can serve ultimate build-out of the District. See "THE BONDS—Issuance of Additional Debt." There are approximately 1,242 equivalent single-family connections at this time.

Drainage

Drainage for acreage within the District is accomplished by a surface flow over the lots and the bulkhead, and by lateral road ditches. The District is not responsible for maintenance or dredging of the canal system.

100-Year Flood Plain

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.

According to the Engineer, the entire District is located within the 100-year flood plain. All current equipment has been elevated and/or protected from the 100-year flood stage, and any future equipment will be elevated accordingly. The Village of Tiki Island, Texas is responsible for maintaining restrictions on minimum floor slab elevations in the District. All homes are constructed on piers with the bottom of the lowest horizontal beam between 15 and 16 feet, mean sea level (“msl”). The Federal Emergency Management Association has established 100- year flood plain elevations of 15 feet msl in some areas, 16 feet msl in other areas, and 12 feet msl in one small area. The area was subjected to a hurricane in 2008 and 2017. Prior to this, the most recent hurricanes were in 1983 and 1961. The District’s System did not sustain any significant damage as a result of Hurricane Harvey in 2017. See “INVESTMENT CONSIDERATIONS—Severe Weather” and “—Inclement Weather.”

Water Supply Contract with Gulf Coast Water Authority

On July 1, 1998, the District contracted with Gulf Coast Water Authority (the “Authority”) to receive a potable water supply from the Authority’s Mainland System in lieu of its previous water supply from the City of Galveston. Under the agreement, the Authority issued contract revenue bonds and completed the construction of the Mainland System’s South Project in August 2001. The agreement gives the District a reserve capacity of 360,000 gpd of treated water supply. Effective May 1, 2014, the District and the Authority entered into a Second Amendment to the agreement to reallocate certain operating charges to the Mainland Project Customers and to add certain water conservation provisions.

Fire Protection Plan

Pursuant to the authority of the Texas Water Code, Section 49.351, and an order of the TCEQ dated March 19, 2012, the District adopted a Fire Protection Plan and entered into a Fire Services Agreement with Tiki Island Volunteer Fire Department (“Tiki VFD”). Under the agreement, the District paid Tiki VFD for fire-fighting and emergency medical response services. On April 20, 2022, the District adopted a Resolution Adopting Amended Fire Protection Plan and Agreement and Authorizing Application to the TCEQ for approval of said plan. The TCEQ approved the Amended Fire Protection Plan and Amended Fire Protection Agreement by order dated October 19, 2022. At an election held on November 8, 2022, voters approved the Amended Fire Protection Plan and mandatory plan to finance and contract to provide fire-fighting and emergency medical services for the District and impose an amended mandatory fee on residents not to exceed \$45.00 per month per equivalent connection to finance said services. The District contracts with Tiki Island Volunteer Fire Department for fire protection and emergency medical services and pays over the fire protection fees it collects to Tiki Island Volunteer Fire Departments, pursuant to such contract.. No fire protection bonds have been submitted to the District voters, nor have any such bonds been approved or issued by the District. See “THE BONDS—Issuance of Additional Debt.”

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USE AND DISTRIBUTION OF BOND PROCEEDS

The estimated use and distribution of Bond proceeds is shown below. Of proceeds to be received from sale of the Bonds, \$5,580,713 is estimated for construction costs, \$520,000 is estimated for non-construction costs and \$399,287 is estimated for issuance cost and fees.

CONSTRUCTION COSTS

A.	Developer Contribution Items	
	• None	\$ -
B.	District Items	
	1) Concrete Ground Storage Tanks	\$ 4,500,000
	2) Fence for Water Plant	65,000
	3) Engineering (13.5% of Items)	616,275
	4) Contingency (8.75% of Items)	399,438
	Subtotal Construction Costs	\$ 5,580,713
	Total Construction Costs	\$ 5,580,713

NON-CONSTRUCTION COSTS

	• Capitalized Interest (12 months) (a)	\$ 325,000
	• Underwriters Discount (a)	195,000
	Total Non-Construction Costs	\$ 520,000

ISSUANCE COSTS AND FEES

	• Legal Fees (2.5%)	\$ 162,500
	• Financial Advisor Fees	117,500
	• TCEQ Fee (0.25% of BIR)	16,250
	• Bond Application Report Fee	40,000
	• Bond Issuance Expenses	56,537
	• Attorney General Fee (0.1% of BIR w/ max \$9,500)	6,500
	Total Issuance Costs and Fees	\$ 399,287

TOTAL BOND ISSUE REQUIREMENT..... **\$ 6,500,000**

(a) The TCEQ approved a maximum of twelve (12) months of capitalized interest at an estimated interest rate of 5.00% and a maximum bond discount of 3.00%.

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
5/3/2025	Water, Sewer and Drainage Bonds & Refunding	\$ 18,000,000	\$ 6,500,000 (a)	\$ 11,500,000
11/5/2013	Water, Sewer and Drainage Bonds & Refunding	\$ 8,500,000	\$ 8,500,000	\$ -
1/20/2001	Water, Sewer and Drainage Bonds & Refunding	\$ 5,800,000	\$ 5,795,942	\$ 4,058

(a) Includes the Bonds.

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2025 Certified Taxable Assessed Valuation.....	\$759,374,588 (a)
Preliminary Taxable Assessed Valuation as of January 1, 2026.....	\$771,639,244 (b)
District Debt:	
Outstanding Bonds (as of May 31, 2026).....	\$8,110,000
The Bonds.....	6,500,000
Gross Direct Debt Outstanding (after issuance of Bonds).....	<u>\$14,610,000</u>
Ratio of Gross Debt to 2025 Certified Taxable Assessed Valuation.....	1.92%
Ratio of Gross Debt to Preliminary Taxable Assessed Valuation as of January 1, 2026.....	1.89%

- (a) As certified by the Galveston Central Appraisal District. See "TAXING PROCEDURES."
(b) Provided by the Appraisal District for information purposes only. Such amount reflects the preliminary value of taxable improvements on January 1, 2026. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2025, and January 1, 2026, will be certified as of January 1, 2026, and provided for purposes of taxation in the fall of 2026. See "TAX PROCEDURES."

Cash and Investment Balances (Unaudited as of May 31, 2026)

Operating Fund	Cash and Temporary Investments	\$1,432,829
Capital Projects Fund	Cash and Temporary Investments	\$1,026,127
Debt Service Fund	Cash and Temporary Investments	\$220,373 (a)

- (a) Accrued interest and twelve (12) months of capitalized interest on the Bonds will be deposited to the Debt Service Fund. Neither Texas law nor the Bond Order requires the District to maintain any minimum balance in the Debt Service Fund.

Investments of the District

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

Outstanding Bonds (As of May 31, 2026)

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding as of May 31, 2026</u>
2014	\$2,500,000	\$1,675,000
2016 (a)	3,090,000	1,140,000
2020	3,000,000	2,575,000
2023	2,910,000	2,720,000
Total Bonds Outstanding		<u>\$8,110,000</u>

- (a) Unlimited Tax Refunding Bonds.

ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
College of the Mainland.....	\$142,695,000	05/31/26	3.17%	\$4,523,432
Galveston County.....	126,960,000	05/31/26	1.19%	1,510,824
Hitchcock ISD.....	62,561,228	05/31/26	15.60%	9,759,552
Texas City ISD.....	281,500,000	05/31/26	5.00%	14,075,000
Village of Tiki Island	6,055,000	05/31/26	99.83%	6,044,707
Total Estimated Overlapping Debt.....				35,913,515
The District.....	\$14,610,000 (a)	05/31/26	100.00%	14,610,000
Total Direct and Estimated Overlapping Debt.....				\$50,523,515

Ratio of Total Direct and Estimated Overlapping Debt to:

2025 Certified Taxable Assessed Valuation.....	6.65%
Preliminary Taxable Assessed Valuation as of January 1, 2026.....	6.55%

(a) Includes the Bonds.

Overlapping Taxes for 2025

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

Set forth below are the taxes levied for the 2025 tax year by all entities overlapping the District and the District’s 2025 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions or any other levy of entities other than political subdivisions.

	2025 Tax Rate per \$100 of <u>Certified Taxable Assessed Valuation</u>	2025 Tax Rate per \$100 of <u>Certified Taxable Assessed Valuation</u>
College of the Mainland.....	\$ 0.263800	\$ 0.263800
Galveston County.....	0.322660	0.322660
Galveston County Road and Flood.....	0.003000	0.003000
Hitchcock ISD (b).....	1.030097	-
Texas City ISD (b).....	-	1.154300
Village of Tiki Island	0.411738	0.411738
Total Overlapping Tax Rate.....	\$ 2.031295	\$ 2.155498
The District (a).....	0.194000	0.194000
Total Tax Rate.....	\$ 2.225295	\$ 2.349498

(a) See “TAX DATA – Tax Rate Distribution.”

(b) Each of these independent school districts encompasses a distinct area of the District. They do not overlap with one another.

TAX DATA

Debt Service Tax

The Board covenants in the Bond Order 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 2025 tax year, the Board levied a debt service tax in the amount of \$0.120000 per \$100 taxable assessed valuation. See “Tax Rate Distribution” and “Tax Roll Information” below.

Maintenance 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 2, 1999, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$0.30 per \$100 of 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 Outstanding Bonds and the Bonds. For tax year 2025, the Board levied a maintenance tax in the amount of \$0.074000 per \$100 taxable assessed valuation. See “Tax Rate Distribution” below.

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	\$ 0.120000	\$ 0.098463	\$ 0.099551	\$ 0.111542	\$ 0.095888
Maintenance and Operations	0.074000	0.071666	0.072459	0.073361	0.074917
Total	\$ 0.194000	\$ 0.170129	\$ 0.172010	\$ 0.184903	\$ 0.170805

Historical Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax experience of the District. Such table has been prepared for inclusion herein based upon information obtained from the Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. Differences in totals from others shown in this Official Statement are due to differences in dates of the data. See “Tax Roll Information” below.

Tax Year	Certified Taxable Assessed Valuation (a)	Tax Rate	Tax Levy (b)	Total Collections as of May 31, 2026 (c)	
				Amount	Percent
2021	\$551,625,075	\$ 0.1708	\$ 942,203	\$942,203	100.00%
2022	605,752,236	0.1849	1,120,054	1,120,054	100.00%
2023	691,243,075	0.1720	1,189,007	1,184,193	99.60%
2024	749,295,761	0.1701	1,274,769	1,269,403	99.58%
2025	759,374,588	0.1940	1,473,187	1,458,450	99.00%

- (a) As certified by the Galveston Central Appraisal District. See “TAX DATA – Tax Roll Information” for gross appraised value, deferrals and exemptions granted by the District and the Galveston Central Appraisal District.
- (b) Represents actual tax levy, including any adjustments by the Galveston Central Appraisal District, as of the date hereof.
- (c) Unaudited.

Tax Exemptions

As discussed in the section titled “TAXING PROCEDURES” in the Official Statement, certain property in the District may be exempt from taxation by the District. For tax year 2026, the District has granted a \$10,000 exemption for residential homesteads of persons who are disabled or 65 years of age or over, and a twenty percent (20%) residential homestead exemption.

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: (a) 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 (b) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Tax Roll Information *

The District’s appraised value as of January 1 of each year is used by the District in establishing its tax rate. See “TAXING PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising the 2021 through 2025 Certified Taxable Assessed Valuations. Differences in totals may vary slightly from other information herein due to differences in dates of data. Taxes are levied on taxable value certified by the Galveston Central Appraisal District as of January 1 of each year.

	2025	2024	2023	2022	2021
Land	\$436,785,350	\$436,206,490	\$296,346,074	\$286,907,311	\$285,405,115
Improvements	449,731,378	468,729,482	534,650,191	426,895,869	367,726,191
Personal Property	2,953,410	2,460,610	1,778,860	519,510	486,570
(Exemptions)	(130,095,550)	(158,100,821)	(141,532,050)	(108,570,454)	(101,992,801)
Total Assessed Valuation	\$759,374,588	\$749,295,761	\$691,243,075	\$605,752,236	\$551,625,075

(*) Does not include taxable value adjustments after certification.

Principal Taxpayers

The following table represents the principal taxpayers, the type of property, the taxable assessed value of such property and such property’s certified assessed value as a percentage of the 2025 Certified Taxable Assessed Valuation of \$759,374,588 which represents certified ownership as of January 1, 2025. Differences in totals may vary slightly from other information herein due to differences in dates of data.

<u>Taxpayer</u>	<u>Type of Property</u>	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Tiki Plaza Ltd.	Commercial Building	\$ 3,786,680	0.50%
Individual	Individual Residence	3,248,800	0.43%
Individual	Individual Residence	3,192,455	0.42%
HSD Tiki Holdings	Commercial Building	3,076,230	0.41%
Individual	Individual Residence	2,884,306	0.38%
Individual	Individual Residence	2,500,000	0.33%
Individual	Individual Residence	2,494,160	0.33%
Individual	Individual Residence	2,407,050	0.32%
Individual	Individual Residence	2,345,340	0.31%
Montemoro LLC	Commercial Property	2,176,300	0.29%
Total		\$ 28,111,321	3.70%

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet the projected average annual and projected maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2025 Certified Taxable Assessed Valuation of \$759,374,588 or the Preliminary Taxable Assessed Valuation as of January 1, 2026 of \$771,639,244. The calculations contained in the following table merely represent the tax rates required to pay principal and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, and the sale of no additional bonds. See “DEBT SERVICE REQUIREMENTS” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

Projected average annual debt service requirement (2026-2050).....	\$930,291
\$0.13 tax rate on 2025 Certified Taxable Assessed Valuation of \$759,374,588 at a 95% collection rate produces.....	\$937,828
\$0.13 tax rate on the Preliminary Taxable Assessed Valuation as of January 1, 2026 of \$771,639,244 at a 95% collection rate produces.....	\$952,974
Projected maximum annual debt service requirement (2027).....	\$1,139,022
\$0.16 tax rate on 2025 Certified Taxable Assessed Valuation of \$759,374,588 at a 95% collection rate produces.....	\$1,154,249
\$0.16 tax rate on the Preliminary Taxable Assessed Valuation as of January 1, 2026 of \$771,639,244 at a 95% collection rate produces.....	\$1,172,892

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS—Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order 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.”

Property Tax Code and County-Wide Appraisal District

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

The 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 County Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State 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; travel trailers; and most individually owned automobiles. 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 in action 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 Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) 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 by May 1. For tax year 2026, the District has granted a twenty-percent (20%) residential homestead exemption. See "TAX DATA."

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

Tax Abatement

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

Valuation of Property for Taxation

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

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

The Property Tax Code requires 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 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 to formally include such values on its appraisal roll.

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Tax Code. The 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran under Texas law, 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.

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units:

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

Developed Districts:

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

Developing Districts:

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

The District:

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each 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 AND OVERLAPPING TAXES—Overlapping Taxes 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. See "INVESTMENT CONSIDERATIONS—Tax Collection Limitations and Foreclosure Remedies."

Tax Payment Installments after Disaster

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

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

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WATER AND SEWER OPERATIONS

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 operation of the District's water and sewer system are not pledged to the payment of debt service. It is not anticipated that significant revenues, if any, will be available for the payment of debt service on the Bonds or the Outstanding Bonds.

Waterworks and Sewer System 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 the fiscal years 2021 through 2025 and from the District's bookkeeper for the eight-month period ended May 31, 2026. Reference is made to such records and statements for further and more complete information.

GENERAL FUND	Fiscal Year Ended September 30					
	10/1/2025 5/31/2026 (a)	2025	2024	2023	2022	2021
Revenues:						
Water Service Charges	\$ 306,413	\$ 469,243	\$ 460,477	\$ 497,426	\$ 452,706	\$ 404,238
Sewer Service Charges	222,371	336,543	334,114	344,242	327,616	301,635
Fire Protection Revenue ^(b)	-	-	-	525,191	201,390	200,157
Property Taxes	538,319	535,471	498,857	443,642	415,789	371,937
Penalties and Interest	5,506	5,834	6,311	6,099	5,482	5,255
Tap Connection and Inspection Fees	1,080	9,355	9,315	18,255	21,500	11,055
Investment Earnings	24,530	43,852	53,649	25,006	3,720	511
Intergovernmental Revenue	139,400	-	-	132,207	131,946	-
Other Revenues	2,543	3,590	3,520	7,402	6,952	4,040
Total Revenues	\$ 1,240,162	\$ 1,403,888	\$ 1,366,243	\$ 1,999,470	\$ 1,567,101	\$ 1,298,828
Expenditures:						
Purchased Water Services	\$ 167,026	\$ 254,254	\$ 221,278	\$ 213,617	\$ 126,036	\$ 147,302
Professional Fees	84,697	102,687	59,375	55,514	51,709	51,816
Contracted Services	28,508	26,292	26,652	562,955	251,437	224,189
Utilities	32,132	51,809	56,363	46,604	46,655	47,580
Repairs and Maintenance	34,277	288,942	243,921	184,937	152,529	172,775
Personnel Services	259,457	428,411	532,232	480,380	479,098	461,042
Administration	209,733	250,868	300,055	215,836	211,490	175,194
Capital Outlay	108,390	82,413	106,731	86,657	-	-
Total Expenditures	\$ 924,220	\$ 1,485,676	\$ 1,546,607	\$ 1,846,500	\$ 1,318,954	\$ 1,279,898
Net Change in Fund Balance	\$ 315,942	\$ (81,788)	\$ (180,364)	\$ 152,970	\$ 248,147	\$ 18,930
Fund Balance - Beginning of Period	\$ 789,865	\$ 871,653	\$ 1,052,017	\$ 899,047	\$ 650,900	\$ 631,970
Other Financing Sources (Uses):						
Contributing Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Financing Sources (Uses):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance - End of Period	\$ 1,105,807	\$ 789,865	\$ 871,653	\$ 1,052,017	\$ 899,047	\$ 650,900

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

(b) Beginning in 2024, the District began accounting for the fire protection surcharge as a liability, instead of revenue, as all amounts collected are remitted to the Tiki Island Volunteer Fire Department.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the Outstanding Bonds plus the estimated debt service requirements for the Bonds at an assumed interest rate of 5.00% per annum. This schedule does not reflect the fact that twelve (12) months of interest will be capitalized from Bond proceeds.

Calendar Year (12/31)	Outstanding Debt Service Requirements	Plus: The Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	\$ 819,251	-	\$ 54,167	\$ 54,167	\$ 873,418
2027	814,022	-	325,000	325,000	1,139,022
2028	808,410	-	325,000	325,000	1,133,410
2029	787,623	-	325,000	325,000	1,112,623
2030	781,663	-	325,000	325,000	1,106,663
2031	508,488	\$ 195,000	320,125	515,125	1,023,613
2032	513,038	205,000	310,125	515,125	1,028,163
2033	517,088	215,000	299,625	514,625	1,031,713
2034	525,538	225,000	288,625	513,625	1,039,163
2035	528,388	235,000	277,125	512,125	1,040,513
2036	525,606	250,000	265,000	515,000	1,040,606
2037	531,913	260,000	252,250	512,250	1,044,163
2038	537,294	275,000	238,875	513,875	1,051,169
2039	541,816	290,000	224,750	514,750	1,056,566
2040	374,134	305,000	209,875	514,875	889,009
2041	374,550	320,000	194,250	514,250	888,800
2042	374,634	335,000	177,875	512,875	887,509
2043	379,281	355,000	160,625	515,625	894,906
2044	383,331	370,000	142,500	512,500	895,831
2045	386,672	390,000	123,500	513,500	900,172
2046	201,600	410,000	103,500	513,500	715,100
2047	203,275	430,000	82,500	512,500	715,775
2048	204,500	455,000	60,375	515,375	719,875
2049		480,000	37,000	517,000	517,000
2050		500,000	12,500	512,500	512,500
Total	<u>\$ 11,622,112</u>	<u>\$ 6,500,000</u>	<u>\$ 5,135,167</u>	<u>\$ 11,635,167</u>	<u>\$ 23,257,279</u>

Projected Average Annual Debt Service Requirements (2026-2050).....	\$930,291
Projected Maximum Annual Debt Service Requirement (2027).....	\$1,139,022

INVESTMENT CONSIDERATIONS

General

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

Severe Weather

The greater Houston area, including the District, is subject to occasional flood and wind damage from tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015, including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 26, 2017 and brought historic levels of rainfall during the successive four days. According to the District's General Manager, the District's System did not sustain significant damage and there was no interruption of water and sewer service for District customers as a result of Hurricane Harvey. There were no homes flooded as a result of Hurricane Harvey in the District.

Inclement Weather

The District is located approximately 10 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or necessity to increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

Potential Effects of Oil Price Volatility on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the District. The District cannot predict the impact that negative conditions in the oil industry could have on property values in the District.

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, townhomes and condominiums, and commercial properties. The market value of such properties is related to general economic conditions in Houston, the State of Texas and the nation and those conditions can affect the demand for and the value of such properties.

Risks Associated with Second Home Market

A substantial percentage of the taxable assessed value of the property in the District results from the current market value of single-family residences that are second homes or vacation homes. The market for such homes is historically more volatile and more dependent on economic factors than the market for primary residences.

Possible Impact on District Tax Rates

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 owners of property within the District to pay their taxes. The 2025 Certified Taxable Assessed Valuation is \$759,374,588 and the Preliminary Taxable Assessed Valuation as of January 1, 2026, is \$771,639,244. After issuance of the Bonds, the projected maximum annual debt service requirement will be \$1,139,022 (2027), and the projected average annual debt service requirement will be \$930,291 (2026-2050 inclusive). Assuming no increase or decrease from the 2025 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.16 and \$0.13 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the projected maximum debt service requirement and the projected average annual debt service requirement, respectively. Assuming no increase or decrease from the Preliminary Taxable Assessed Valuation as of January 1, 2026 and no use of funds other than tax collections, a tax rate of \$0.16 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,139,022 and a tax rate of \$0.13 per \$100 of taxable assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$930,291. See “DEBT SERVICE REQUIREMENTS.”

Although calculations have been made regarding the projected average and projected maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds based upon the 2025 Certified Taxable Assessed Valuation and the Preliminary Taxable Assessed Valuation as of January 1, 2026, the District can make no representations regarding the future level of assessed valuation within the District. Increases in taxable values depend primarily on the continuing construction of taxable improvements within the District. See “TAXING PROCEDURES” and “TAX DATA—Tax Adequacy for Debt Service.”

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. After the issuance of the Bonds, the District will have \$11,500,000 of authorized but unissued unlimited tax bonds for water, sewer, and drainage facilities remaining from its May 3, 2025, bond election. Additionally, the District currently has no authorized but unissued unlimited tax bonds for water, sewer, and drainage facilities remaining from its November 5, 2013, bond election; however, the District will have \$4,058 in authorized bonds for water, sewer and drainage facilities remaining from an election held on January 20, 2001. Voters may authorize the issuance of additional bonds secured by ad valorem taxes.

If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

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

Tax Collection Limitations and Foreclosure Remedies

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (i) cumbersome, time-consuming and expensive collection procedures, (ii) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (iii) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “ESTIMATED OVERLAPPING DEBT AND OVERLAPPING TAXES—Overlapping Taxes for 2025”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make

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

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, 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 Order. Except for mandamus, the Bond Order 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 Order 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 (i) authorized to file for federal bankruptcy protection by applicable state law, (ii) is insolvent or unable to meet its debts as they mature, (iii) desires to effect a plan to adjust such debts, and (iv) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability of the Bonds

The District has no understanding 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 more generally bought, sold or traded in the secondary market.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) 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. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

Changes in Tax Legislation

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

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

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

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.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter with a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the legal opinion of Wallace & Philbin, L.L.P. (“Bond Counsel”) to the effect that, based upon an examination of such transcript, the Bonds are legal, valid, and binding obligations of the District and that the interest on the Bonds is exempt from federal income taxation under existing statutes, regulations, published rulings and court decisions. Such opinions express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Bond Counsel’s opinion also addresses the matters described below under “TAX MATTERS – Tax Exemption.” Such opinion expresses no opinion with respect to the sufficiency of the security for or the marketability of the Bonds.

Bond Counsel has reviewed the information appearing in the Official Statement under “THE BONDS,” “THE DISTRICT—General,” “MANAGEMENT OF THE DISTRICT—District Consultants,” “TAXING PROCEDURES,” “LEGAL MATTERS—Legal Opinions,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law with respect to the provisions of the documents referred to therein. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor have such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility

for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Wallace & Philbin, L.L.P. acts 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. Therefore, such fees are contingent upon the sale and delivery of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District from that set forth or contemplated in the Preliminary Official Statement, as 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 or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officers of the District.

TAX MATTERS

Tax Exemption

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds (the "Original Issue Discount Bonds") is less than the principal amount thereof, or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (a) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (b) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the 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 Original Issue Discount 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 (a) 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 (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

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

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 (or deemed designated) 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 Bonds will be designated (or will be deemed designated) by the District as “qualified tax-exempt obligations” and the District 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 (within the meaning of section 265(b) of the code) and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2026.

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

Moody’s Investors Service (“Moody’s”) has assigned a credit rating of “A2” to the Bonds. An explanation of the rating may be obtained from Moody’s, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The rating fees of Moody’s will be paid by the District; however, the fees associated with any other rating will be the responsibility of the Initial Purchaser. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by Moody’s, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

An application has also been made for municipal bond insurance. If qualified, the purchase of municipal bond insurance is optional and at the expense of the Initial Purchaser. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance.”

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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 _____ (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of _____% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of _____% 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 from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. The Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of 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 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 U.S. Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

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 Appraisal District and information from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District to such effect 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, orders, 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

Post Oak Municipal Advisors LLC is engaged 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. In its capacity as Financial Advisor, Post Oak Municipal Advisors LLC has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this Official Statement, the District has relied upon the following consultants that have provided information used herein.

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by Sander Engineering Corporation 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 historical breakdown of the certified taxable appraised valuations, have been provided by the Galveston Central Appraisal District and have 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 breakdown of the District’s historical data concerning tax rates and tax collections including particularly such information contained in the section entitled “TAX DATA—Tax Collections” has been provided by Ms. Krystal McKinney Galveston County Tax Assessor/ Collector, and is included herein in reliance upon the authority of such individual as an expert in assessing and collecting taxes.

Auditor: The District’s financial statements for the year ended September 30, 2025, were audited by Knox Cox & Company, L.L.P. See “APPENDIX A” for a copy of the District’s September 30, 2025, financial statements.

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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certification, the official executing this Official Statement 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 Order, the District has made the following agreement for the benefit of the registered and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB has established the Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain financial information and operating data to the MSRB through its EMMA system. The financial information and operating data which will be provided includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL INFORMATION CONCERNING THE DISTRICT,” “TAX DATA,” “WATER AND SEWER OPERATIONS,” “DEBT SERVICE REQUIREMENTS,” and APPENDIX A (Independent Auditor’s Report and Financial Statements). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. Any information 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 District commissions an audit and 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 fiscal year to the MSRB within such six-month period and audited financial statements when and if the audit report becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Specified Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term "material" when used in this paragraph shall have the meaning ascribed to it under the federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its 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 registered owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Order 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 not failed in any material respects to comply with its previously made continuing disclosure agreement 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 Fresh Water Supply District No. 6, as of the date shown on the cover page.

/s/ _____
President, Board of Directors
Galveston County Fresh Water Supply District No. 6

ATTEST:

/s/ _____
Secretary, Board of Directors
Galveston County Fresh Water Supply District No. 6

AERIAL PHOTOGRAPHS

(Approximate boundaries of the District as of June 2026)



PHOTOGRAPHS

The following photographs were taken in June 2026, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.











APPENDIX A

District Audited Financial Statements for the Fiscal Year Ended September 30, 2025

**Galveston County Fresh
Water Supply District No. 6**

GALVESTON COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2025

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Certified Public Accountants

8410 Highway 90A, Suite 150 | Sugar Land, Texas 77478
main: 346-772-2860 | fax: 346-772-2853

Independent Auditors' Report

Board of Directors
Galveston County Fresh Water Supply District No. 6
Galveston County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Galveston County Fresh Water Supply District No. 6 (the "District") as of and for the year ended September 30, 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 the District, as of September 30, 2025, and the respective changes in financial position 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility 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 GAAS 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 reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 perform audit procedures responsive to those risks. Such procedures including 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, we express no such opinion.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating 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 on pages 3 through 8 and the budgetary comparison information and pension information on pages 38 through 44 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 (TSI) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This 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. This 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 information is fairly stated in all material respects, in relation to the basic financial statements as a whole.



Sugar Land, Texas
January 21, 2026

Management's Discussion and Analysis

As management of Galveston County Fresh Water Supply District No. 6 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$408,958 (net deficit).
- As of September 30, 2025, the District's governmental funds reported an ending fund balance of \$2,373,124.
- The District's cash and investments at September 30, 2025 was \$2,703,522, representing a decrease of \$508,065 from September 30, 2024.
- The District had revenues of \$2,237,433 and a change in net position of (\$58,453) for the year ended September 30, 2025.
- At the end of the fiscal year, unassigned and uncommitted fund balance for the General Fund was \$789,865, or 53 percent of total General Fund expenditures.
- The District's long-term debt decreased by \$534,590 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 10 through 13 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District consist solely of governmental funds (the General Fund, Debt Service Fund and Capital Projects Fund).

Governmental Funds - Governmental funds are used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and *governmental activities*. The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 35 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund budget and pension. Required supplementary information can be found on pages 38 through 44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$408,958 as of September 30, 2025.

The largest portion of the District's net position represents unrestricted financial resources available for future operations and amounts to \$813,620.

The District had net position restricted for debt service of \$245,135 as of September 30, 2025.

The District had a deficit net investment in capital assets of \$1,467,713 as of September 30, 2025. The deficit is due to the net book value of the capital assets acquired (cost less accumulated depreciation) being less than the related bonded debt outstanding used to acquire these assets. The deficit is primarily a result of the Series 2023 bond issue, where a portion of the bond proceeds were used for the expansion of the Gulf Coast Water Authority (the Authority) Mackey Plant Expansion. These costs, which were capitalized by the Authority, were reflected as an expense by the District.

SUMMARY OF STATEMENT OF NET POSITION

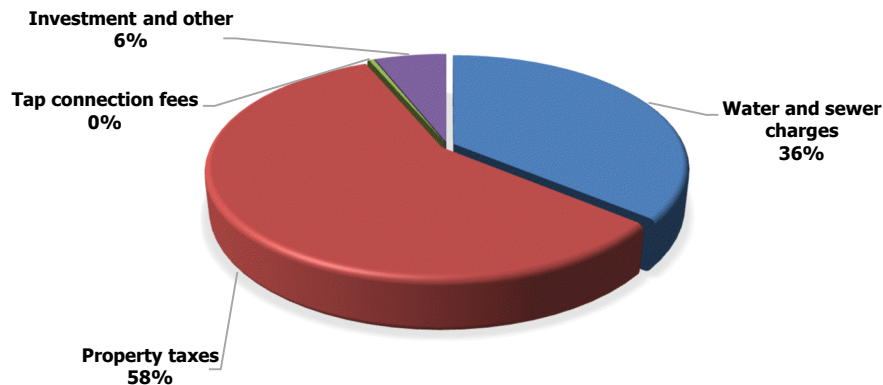
	Governmental Activities	
	2025	2024
Current and other assets	\$ 2,893,516	\$ 3,358,602
Capital assets, net	5,829,980	5,837,817
Total Assets	8,723,496	9,196,419
Differences between expected and actual experience	1,209	2,003
Changes of assumptions		9,657
Net difference between projected and actual earnings		12,146
Contributions made subsequent to measurement date	19,356	24,821
Total Deferred Outflows of Resources	20,565	48,627
Long-term liabilities	8,665,410	9,200,000
Other liabilities	471,221	391,020
Total Liabilities	9,136,631	9,591,020
Differences between expected and actual experience	5,471	2,363
Changes of assumptions	1,085	2,168
Net difference between projected and actual earnings	9,832	
Total Deferred Inflows of Resources	16,388	4,531
Net Position:		
Net investment in capital assets	(1,467,713)	(1,580,419)
Restricted	245,135	337,315
Unrestricted	813,620	892,599
Total Net Position	\$ (408,958)	\$ (350,505)

Net position of the District, all of which relates to governmental activities, decreased by \$58,453. Key elements of the decrease are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	2025	2024
Revenues		
Water and sewer charges	\$ 805,786	\$ 794,591
Property taxes, penalties and interest	1,288,811	1,201,683
Tap connection fees	9,355	9,315
Investment income and other	133,481	175,519
Total Revenues	2,237,433	2,181,108
Expenses		
Purchased water service	254,254	221,278
Professional fees and contracted services	143,262	97,347
Repairs and maintenance	304,766	275,866
Personnel, administration and other	729,250	872,068
Interest and fiscal charges on long-term debt	292,387	305,667
Depreciation and amortization	571,967	546,041
Total Expenses	2,295,886	2,318,267
Change in Net Position	(58,453)	(137,159)
Net position, beginning	(350,505)	(213,346)
Net Position, Ending	\$ (408,958)	\$ (350,505)

GOVERNMENTAL REVENUES



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are discussed below:

Governmental Funds - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of September 30, 2025, the District's governmental funds, which consist of a general fund, debt service fund and capital projects fund reported an ending fund balance of \$2,373,124, which is a decrease of \$600,268 from last year's total of \$2,973,392. As a measure of the general fund's liquidity, it may be useful to compare unassigned and uncommitted fund balance to total fund expenditures. Unassigned and uncommitted fund balance represents 53 percent of total general fund expenditures, as compared to 56 percent in the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The District's investment in capital assets as of September 30, 2025 amounts to \$5,829,980 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles, equipment and water and wastewater infrastructure.

CAPITAL ASSETS SCHEDULE

	Governmental Activities	
	2025	2024
Capital assets not being depreciated:		
Land	\$ 109,312	\$ 109,312
Construction in progress	455,855	
	<u>565,167</u>	<u>109,312</u>
Capital assets being depreciated:		
Buildings and improvements	591,670	580,170
Vehicles and equipment	176,945	176,945
Water system	6,030,770	5,960,623
Wastewater system	7,991,201	7,964,573
	<u>14,790,586</u>	<u>14,682,311</u>
Less: accumulated depreciation	<u>(9,525,773)</u>	<u>(8,953,806)</u>
	<u>5,264,813</u>	<u>5,728,505</u>
Total Capital Assets, Net	<u>\$ 5,829,980</u>	<u>\$ 5,837,817</u>

During the current fiscal year, individually significant capital assets additions consisted of water and wastewater treatment improvements.

Additional information on the District’s capital assets can be found in Note 6 in the notes to financial statements.

Long-term Debt - As of September 30, 2025, the District has a total bonded debt outstanding of \$8,655,000. Interest expense and fiscal charges totaled \$292,387 for the 2025 fiscal year on this bonded debt. The District’s total bonded debt decreased by \$545,000 during the current fiscal year. The outstanding bonds have maturities ranging from 2026 to 2048.

LONG-TERM DEBT SCHEDULE

Series	Governmental Activities	
	2025	2024
2014	1,765,000	1,850,000
2016R	1,440,000	1,745,000
2020	2,665,000	2,755,000
2023	2,785,000	2,850,000
Total Long-term Debt	\$ 8,655,000	\$ 9,200,000

Additional information on the District’s long-term debt can be found in Note 7 in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. The District anticipated a decrease in the fund balance of \$526,000, while there was an actual decrease of \$81,788. The difference was primarily due to repairs and maintenance and personnel expenditures being lower than anticipated during the current fiscal year.

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. The *Budgetary Comparison Schedule* on page 38 of this report provides variance information per financial statement line item.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Galveston County Fresh Water Supply District No. 6’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Galveston County Fresh Water Supply District No. 6: Steve Jefferson, General Manager, 802 Tiki Drive, Tiki Island, Texas 77554.

FINANCIAL STATEMENTS

Galveston County Fresh Water Supply District No. 6

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS

BALANCE SHEET

September 30, 2025

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 54,428	\$ 30,332	\$ 47,328	\$ 132,088
Investments	985,588	206,001	1,379,845	2,571,434
Receivables:				
Property taxes	13,155	19,183		32,338
Customer service accounts	124,239			124,239
Other		819		819
Internal receivables	6,888		2,737	9,625
Prepaid items	15,765			15,765
Net pension asset				
Capital assets not being depreciated				
Capital assets being depreciated, net				
Total Assets	\$ 1,200,063	\$ 256,335	\$ 1,429,910	\$ 2,886,308
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience				
Contributions made subsequent to measurement date				
Total Deferred Outflows of Resources				
<u>Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position</u>				
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 200,304	\$ 1,575	\$ 72,603	\$ 274,482
Customer deposits	196,739			196,739
Internal payables		9,625		9,625
Long-term liabilities:				
Due within one year				
Due after one year				
Total Liabilities	397,043	11,200	72,603	480,846
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience				
Changes of assumptions				
Net difference between projected and actual earnings				
Unavailable revenue-property taxes	13,155	19,183		32,338
Total Deferred Inflows of Resources	13,155	19,183		32,338
<u>Fund Balances/Net Position</u>				
Fund Balances:				
Restricted:				
Debt service		225,952		225,952
Capital projects			1,357,307	1,357,307
Unrestricted:				
Unassigned	789,865			789,865
Total Fund Balances	789,865	225,952	1,357,307	2,373,124
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,200,063	\$ 256,335	\$ 1,429,910	\$ 2,886,308
Net Position:				
Net investment in capital assets				
Restricted for debt service				
Unrestricted				
Total Net Position				

See Notes to Financial Statements.

<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>
\$	\$ 132,088
	2,571,434
	32,338
	124,239
	819
(9,625)	15,765
16,833	16,833
565,167	565,167
<u>5,264,813</u>	<u>5,264,813</u>
<u>5,837,188</u>	<u>8,723,496</u>
1,209	1,209
<u>19,356</u>	<u>19,356</u>
<u>20,565</u>	<u>20,565</u>
	274,482
	196,739
(9,625)	
550,789	550,789
<u>8,114,621</u>	<u>8,114,621</u>
<u>8,655,785</u>	<u>9,136,631</u>
5,471	5,471
1,085	1,085
9,832	9,832
<u>(32,338)</u>	<u></u>
<u>(15,950)</u>	<u>16,388</u>
(225,952)	
(1,357,307)	
<u>(789,865)</u>	<u></u>
<u>(2,373,124)</u>	<u></u>
(1,467,713)	(1,467,713)
245,135	245,135
813,620	813,620
<u>\$ (408,958)</u>	<u>\$ (408,958)</u>

Galveston County Fresh Water Supply District No. 6

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended September 30, 2025

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues				
Water service charges	\$ 469,243	\$	\$	\$ 469,243
Sewer service charges	336,543			336,543
Property taxes	535,471	735,693		1,271,164
Penalties and interest	5,834	8,999		14,833
Tap connection and inspection fees	9,355			9,355
Investment earnings	43,852	12,955	73,084	129,891
Other	3,590			3,590
Total Revenues	<u>1,403,888</u>	<u>757,647</u>	<u>73,084</u>	<u>2,234,619</u>
Expenditures/Expenses				
Current:				
Purchased water service	254,254			254,254
Professional fees	102,687			102,687
Contracted services	26,292	14,283		40,575
Utilities	51,809			51,809
Repairs and maintenance	288,942			288,942
Personnel services	428,411			428,411
Administration	250,868			250,868
Capital Outlay	82,413		497,541	579,954
Debt Service:				
Principal retirement		545,000		545,000
Interest and fiscal charges		292,387		292,387
Depreciation and amortization				
Total Expenditures/Expenses	<u>1,485,676</u>	<u>851,670</u>	<u>497,541</u>	<u>2,834,887</u>
Net Change in Fund Balance	(81,788)	(94,023)	(424,457)	(600,268)
Change in Net Position				
Fund Balances/Net Position - Beginning	871,653	319,975	1,781,764	2,973,392
Fund Balances/Net Position - Ending	<u>\$ 789,865</u>	<u>\$ 225,952</u>	<u>\$ 1,357,307</u>	<u>\$ 2,373,124</u>

See Notes to Financial Statements.

<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
\$	\$ 469,243
	336,543
2,814	1,273,978
	14,833
	9,355
	129,891
	3,590
<u>2,814</u>	<u>2,237,433</u>
	254,254
	102,687
	40,575
	51,809
15,824	304,766
(1,838)	426,573
	250,868
(579,954)	
(545,000)	
	292,387
571,967	571,967
<u>(539,001)</u>	<u>2,295,886</u>
600,268	
(58,453)	(58,453)
(3,323,897)	(350,505)
<u>\$ (2,782,082)</u>	<u>\$ (408,958)</u>

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Galveston County Fresh Water Supply District No. 6

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform with generally accepted accounting principles. The following is a summary of the most significant policies:

A. Reporting Entity

Galveston County Fresh Water Supply District No. 6 (the "District") was created by an order of the Commissioners Court of Galveston County, on August 13, 1979, in accordance with Texas Water Code Chapter 53. By an order of the Texas Natural Resource Conservation Commission on October 23, 1979, the District was converted to a municipal utility district operating pursuant to Texas Water Code Chapter 54. The District was dormant until 1985. The first bonds were sold on October 17, 1986. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

A portion of the District lies within all of the corporate limits of the Village of Tiki Island, a general law city. Remaining portions of the District lie within the extraterritorial jurisdictions of the City of Hitchcock, the City of Galveston and the City of Texas City. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water.

The District is a political subdivision of the State of Texas governed by an elected five member board and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations, or functions have been included in the District's financial reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered if determining that the District's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Although not considered significant in the District's reporting entity evaluation, other prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the

Galveston County Fresh Water Supply District No. 6

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District's primary activities include construction, maintenance, and operation of water and sewer system facilities and debt service on bonds issued to construct the facilities.

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the District prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial information.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Some of the significant changes of GASB Statement No. 34 include the following:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities, but also capital assets and long-term liabilities (such as buildings and infrastructure and general obligation debt). Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current or soon thereafter, as is the case with the modified accrual basis of accounting. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report related depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government is broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Fund Financial Statements - These statements focus on the District's major funds and are prepared using the modified basis of accounting.

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government and its component units, as applicable. The effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The District had no business-type activities or component units as of and for the year ended September 30, 2025.

The governmental funds financial statements consist of the balance sheet and statement of revenues, expenditures and changes in fund balance. These financial statements have been adjusted to arrive at the government-wide financial statement balances (statement of net position and statement of activities). Major individual governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Revenues accrued include interest earned on investments and income from District operations. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service requirements, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

Nonspendable:

To indicate fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted:

To indicate fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. When restricted and unrestricted fund balance exists for the same purpose, restricted fund balance will be used first.

Committed:

To indicate fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority). Commitments may be changed or lifted only by the Board of Directors taking the same formal action that imposed the constraint originally.

Assigned:

To indicate fund balance to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned:

To indicate the residual classification of fund balance in the General Fund and includes all spendable amounts not contained in the other classifications.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District's policy is to maintain a minimum fund balance of 25% of the District's general fund annual operating expenditures. If a fund balance drops below 25%, it shall be recovered at a rate of 1% minimally, each year. This policy should be revisited annually for review.

The accounting system is organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund equity or deficit, revenues and expenditures.

The District reports the following governmental funds:

General Fund

The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water and sewer service

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

operations. Expenditures include all costs associated with the daily operations of the District.

Debt Service Fund

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 pursuant to requirements of the District's bond resolutions. Expenditures include costs incurred in assessing and collecting these taxes.

Capital Projects Fund

The Capital Projects Fund is used to account for the expenditure of bond proceeds for the construction of the District's water and sewer facilities.

C. Short-Term Internal Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as internal receivables and payables on the combined balance sheet. These amounts are eliminated for government-wide presentation.

D. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings, and employer retirement contributions made subsequent to the measurement date.

E. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of differences between expected and actual experience, changes of assumptions, and unearned tax revenues.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$5,000 limit; all infrastructure is capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Land/Construction in Progress	N/A
Buildings and improvements	25 to 31.5 years
Vehicles	10 years
Water system infrastructure	20 to 25 years
Wastewater system infrastructure	20 to 39 years

G. Compensated Employee Absences

The District provides employees with vacation, sick leave and personal time off (compensated absences) that accumulates and can be to be settled for cash and/or time off. The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (paid in cash) during or upon separation from employment.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represents a reconciling item between the fund and government-wide presentations. At September 30, 2025, amounts accrued for compensated employee absences were \$10,410.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums or discounts, as well as bond issuance costs, during the current period. The face amount of new debt issued is reported as other financing sources. Premiums are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

I. Fund Equity

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that can be spent for the specific purposes stipulated by constitution, external resource providers or through enabling legislation. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

J. Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

L. Date of Management's Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 21, 2026, the date that the financial statements were available to be issued.

M. 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 and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Galveston County Fresh Water Supply District No. 6

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes an adjustments column to arrive at the government-wide statement of net position balances. Amounts reported in the statement of net position are different because:

Total fund balances - governmental funds	\$	2,373,124
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,829,980
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		49,171
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		20,565
Some liabilities, including pension obligations, are not due and payable in the current period, and therefore are not reported in the funds.		(16,388)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period, and therefore are not reported in the funds.		<u>(8,665,410)</u>
Net Position of Governmental Activities	\$	<u>(408,958)</u>

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes an adjustments column to arrive at changes in net position as reported in the government-wide statement of activities. Amounts reported in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (600,268)
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(7,837)
Deferred outflows of resources related to pension calculations do not require the use of current financial resources and therefore are not reported in governmental funds. This adjustment reflects the net change in deferred outflows and inflows of resources.	(39,919)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	545,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are reported as expenditures in governmental funds. This adjustment reflects the net change in the net pension asset/liability (\$52,167) and accrued compensated absences (-\$10,410).	41,757
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the net change in property taxes receivable and accrued penalty and interest on the accrual basis of accounting.	<u>2,814</u>
Change in Net Position of Governmental Activities	<u>\$ (58,453)</u>

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CASH AND INVESTMENTS

Cash and cash equivalents consist of interest-bearing checking and money market accounts. Cash and cash equivalents in the Debt Service Fund of \$30,332 are restricted for use in paying interest and principal on long-term debt, paying agent fees and costs of assessing and collecting property taxes pursuant to the District's bond resolutions.

The carrying amounts for cash and cash equivalent balances, which approximate fair values, by fund at September 30, 2025, are as follows:

	<u>Checking</u>
General Fund	\$ 54,428
Debt Service Fund	30,332
Capital Projects Fund	47,328
	<u>\$ 132,088</u>

Investments

At year-end, the District's investment balances were as follows:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 389,881	41
LOGIC	2,181,553	54
Total Investments	<u>\$ 2,571,434</u>	

Investment Policies

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investments of the District are in compliance with its investment policy.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds. Balances in checking accounts in depository institutions were entirely guaranteed by federal depository insurance or security as provided by statutes and bond provisions at September 30, 2025.

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

Investment Pools

The District participates in the Texas Local Government Investment Pool (TexPool). The State Comptroller of Public Accounts (the "Comptroller") administers TexPool as a public funds investment pool through the Texas Treasury Safekeeping Trust Company (The "Trust Company"). The Comptroller is the sole officer, director, and shareholder of the Trust Company and thus maintains oversight responsibility of TexPool. TexPool uses amortized cost to value portfolio assets and follows the criteria established by Governmental Accounting Standards Board ("GASB") Statement No. 79, for use of amortized cost.

The District participates in the Local Government Investment Cooperative ("LOGIC"). LOGIC is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC is organized and exists as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees.

LOGIC maintains a stable net asset value (NAV) of \$1 per share using the fair value method.

TexPool and LOGIC investment pools are exempt from level of fair value disclosure because they are valued either at NAV or amortized cost.

There are no limitations or restrictions on withdrawals from the District's investment pools.

Interest Rate Risk

Interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operation.

Credit Risk - Investments

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer. In accordance with its investment policy, the District minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. As of September 30, 2025, TexPool and LOGIC are rated AAAm by Standard and Poors.

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PROPERTY TAXES

The voters of the District have authorized the District's Board of Directors to levy maintenance taxes annually for use in financing general operations limited to \$0.08 per \$100 of assessed value. The District's bond orders require that ad valorem 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 for debt service requirements are without limitation as to rate or amount.

All property values are determined by the Galveston Central Appraisal District. A tax lien attaches to all properties within the District on January 1st of each year. Taxes are generally levied on October 1 and are due upon receipt of the tax bill by the property owner. Penalties and interest are charged if taxes are not paid by the succeeding January 31st. There is an additional fifteen percent penalty charged on accounts delinquent after July 1st of each year which generally is payable to the District's delinquent tax attorney.

Property taxes are prorated between operations and debt service based on the respective rates adopted for the year of the levy. For the current year, the District levied a combined rate of \$0.170129 per \$100 of assessed valuation of which \$0.071666 was allocated to maintenance and operations and \$0.098463 was allocated to debt service. The resulting tax levy was \$1,274,769 on the adjusted taxable valuation of \$749,295,761 for the 2024 tax year.

Property taxes receivable at September 30, 2025, consisted of the following:

	General Fund	Debt Service Fund	Total
2024 Levy	\$ 5,548	\$ 7,623	\$ 13,171
2023 Levy	2,768	4,208	6,976
2022 Levy	1,492	1,909	3,401
2021 Levy	1,230	1,796	3,026
2020 and prior	2,117	3,647	5,764
Total Property Taxes Receivable	\$ 13,155	\$ 19,183	\$ 32,338

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major funds are as follows:

	General	Debt Service	Total
Receivables:			
Taxes	\$ 13,155	\$ 19,183	\$ 32,338
Accounts	124,239		124,239
Other		819	819
Total Receivables	\$ 137,394	\$ 20,002	\$ 157,396

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable - general fund	\$ 13,155
Delinquent property taxes receivable - debt service fund	19,183
Total Deferred Inflows for Governmental Funds	\$ 32,338

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2025, follows:

	Balance Oct. 1, 2024	Increases	(Decreases)	Balance Sept. 30, 2025
Governmental Activities:				
Non-depreciable Assets:				
Land	\$ 109,312	\$	\$	\$ 109,312
Construction in progress		455,855		455,855
Total Non-depreciable Assets	109,312	455,855		565,167
Depreciable Assets:				
Buildings and improvements	580,170	11,500		591,670
Vehicles and equipment	176,945			176,945
Water system	5,960,623	70,147		6,030,770
Wastewater system	7,964,573	26,628		7,991,201
Total Depreciable Assets	14,682,311	108,275		14,790,586
Less Accumulated Depreciation	(8,953,806)	(571,967)		(9,525,773)
Totals	\$ 5,837,817	\$ (7,837)	\$	\$ 5,829,980

Depreciation expense for the year ended September 30, 2025, totaled \$571,967.

Galveston County Fresh Water Supply District No. 6

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of bonds payable and accrued compensated absences. Payments of principal and interest on the bonds are to be provided from tax levies on properties within the District. Investment income realized by the Debt Service Fund from investment of funds will be used to pay outstanding bond principal and interest.

The following is a summary of changes in bonds payable for the year ended September 30, 2025:

Bonds payable, October 1, 2024	\$	9,200,000
Bonds issued		
Bonds retired		(545,000)
Bonds Payable, Sept. 30, 2025	\$	<u>8,655,000</u>

Bonds payable at September 30, 2025, are comprised of the following individual issues:

<u>Series</u>	<u>Amounts Outstanding</u>	<u>Interest Rates</u>	<u>Date Serially Begin/End</u>	<u>Maturity Interest Dates</u>	<u>Callable Date</u>
2014	\$1,765,000	2.0-4.0%	April 1 2015/2039	April 1/ October 1	April 1, 2023
2016R	\$1,440,000	2.35-2.35%	April 1 2017/2030	April 1/ October 1	April 1, 2026
2020	\$2,665,000	2.0-2.375%	April 1 2022/2045	April 1/ October 1	April 1, 2026
2023	\$2,785,000	4.0-4.5%	April 1 2024/2048	April 1/ October 1	April 1, 2026

As of September 30, 2025, the debt service requirements on the Series 2014, Series 2016R, Series 2020 and Series 2023 Bonds outstanding for the next five fiscal years and thereafter through 2048 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 545,000	\$ 274,250	\$ 819,250
2027	555,000	259,022	814,022
2028	565,000	243,410	808,410
2029	560,000	227,623	787,623
2030	570,000	211,664	781,664
2031-2035	1,710,000	882,539	2,592,539
2036-2040	1,950,000	560,763	2,510,763
2041-2045	1,630,000	268,468	1,898,468
2046-2048	570,000	39,375	609,375
	<u>\$ 8,655,000</u>	<u>\$ 2,967,114</u>	<u>\$ 11,622,114</u>

Galveston County Fresh Water Supply District No. 6

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NOTES TO FINANCIAL STATEMENTS

In 2025, the District held a bond election whereby voters authorized the issuance of unlimited tax bonds of the District in the maximum principal amount of \$18,000,000. At September 30, 2025, the District had authorized and unissued bonds in the amount of \$18,004,058 for the purposes of constructing, maintaining and operating water and sewer system facilities within the District and for refunding purposes.

The Debt Service Fund has \$225,952 available to service the above bonds.

The District is in compliance with all significant bond requirements and restrictions contained in the bond orders.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2025, was as follows:

	<u>Balance Oct. 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Sep. 30, 2025</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Bonds payable	\$ 9,200,000	\$	\$ (545,000)	\$ 8,655,000	\$ 545,000
Compensated absences, net		10,410		10,410	5,789
Total Long-term Debt	<u>9,200,000</u>	<u>10,410</u>	<u>(545,000)</u>	<u>8,665,410</u>	<u>550,789</u>

The change in the compensated absences liability is presented as a net change.

NOTE 8 - WATER SUPPLY CONTRACT

The District has contracted with the Gulf Coast Water Authority (GCWA) to provide its residents with a supply of potable water through GCWA's Municipal System. The initial contract was entered into July 1998, and was most recently amended and restated in May 2022. The contract shall continue in full force and effect through December 31, 2062 unless terminated by mutual agreement of the District and the GCWA.

During the year ended September 30, 2025, the District incurred \$254,254 for the cost of water purchased from the GCWA under this contract.

The relationship between the GCWA and its Participating districts is purely contractual. The GCWA is a separate functioning governmental entity whose management and Board of Directors are not subject to the control of the participating districts. The District, together with other area municipal utility districts with similar contracts with the GCWA (collectively the "Participating Districts"), contracts directly with the GCWA for required facilities and does not have a contract with other Participating Districts. The GCWA is not a participating facility user.

The GCWA serves as the sponsor and common provider to each of its Participating Districts of facilities and related services and has full legal title and ownership to facilities, subject only to the contractual rights of the Participating Districts to receive services.

Galveston County Fresh Water Supply District No. 6

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

The GCWA invests its own capital funds in the construction and acquisition of the required facilities. Each Participating District makes a payment to the GCWA to defray the costs of construction of capital facilities proportionate to the contractual rights of use (or capacity rights) of such districts pursuant to its contract with the GCWA. Thus, each Participating District has invested funds in the acquisition of such contract rights; however, no Participating District owns nor has legal title to all or any portion of the physical facilities providing such services.

Under these circumstances, the District's relationship with the GCWA is not considered to constitute either a shared facilities agreement or a joint venture arrangement.

NOTE 9 - RETIREMENT PLAN

Plan Description

The District provides retirement, disability and death benefits for all of its full-time employees through a non-traditional defined benefit plan in the state-wide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, consisting of over 890 active employer nontraditional defined benefit pension plans. TCDRS issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available, upon written request, from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas, 78768-2034 or online at www.tcdrs.org.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 5 or more years of service, with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions to the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits, with interest. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitments to contribute. At retirement, disability or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates, as prescribed by the TCDRS Act.

Galveston County Fresh Water Supply District No. 6

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	5
Active employees	5
Totals	<u>12</u>

Funding Policy/Contributions

The employer has chosen a variable rate plan under the provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. For the current fiscal year, the contribution rate of the employer was 5.95% and the contribution rate for employees was 5%, as adopted by the governing body of the employer. The contribution rate of the employer is actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer with options available in the TCDRS ACT.

If a plan has had adverse experience, the TCDRS Act has provisions which allow the employer to contribute a fixed supplemental contribution rate determined by the system's actuary above the regular rate for 25 years or to reduce benefits earned in the future.

Each year, the District accrues supplemental discretionary contributions through the District's budget process with the intent of supplementing required pension plan contributions. As of September 30, 2025, \$91,000 of discretionary contributions have been accrued and not remitted to the District's pension plan.

Net Pension Asset/Liability

The District's Net Pension Asset ("NPA") was measured as of December 31, 2024, and the Total Pension Liability ("TPL") used to calculate the Net Pension Asset/Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	0.0% per year
Investment Rate of Return	7.5% per year

Salary increases were based on a service-related table. Mortality rates for active depositing members and service retirees were based on 135% of the Pub-210 General Retirees Table for

Galveston County Fresh Water Supply District No. 6

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

males and 120% of the Pub-210 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Actuarial methods and assumptions used in the December 31, 2024 funding valuation are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

The long-term expected rate of return on pension plan investments is 7.5%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected Minus Inflation)</u>
U.S. Equities	13.0%	5.35%
Global Equities	4.0%	5.15%
International Equities-Developed	6.0%	4.75%
International Equities-Emerging	0.0%	4.75%
Investment-Grade Bonds	3.0%	2.55%
Strategic Credit	9.0%	3.70%
Direct Lending	16.0%	6.85%
Distressed Debt	4.0%	6.80%
REIT Equities	2.0%	3.95%
Master Limited Partnerships	2.0%	4.95%
Commodities	2.0%	1.00%
Private Real Estate Partnerships	6.0%	5.70%
Private Equity	25.0%	8.15%
Hedge Funds	6.0%	3.60%
Cash Equivalents	2.0%	1.10%
Total	100.0%	

Galveston County Fresh Water Supply District No. 6

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/23	\$ 1,299,401	\$ 1,264,067	\$ 35,334
Changes for the year:			
Service cost	41,229	0	41,229
Interest on total pension liability	101,276	0	101,276
Effect of plan changes	0	0	0
Effect of economic/demographic gains or losses	(5,308)	0	(5,308)
Effect of assumptions changes or inputs	0	0	0
Refund of contributions	(7,265)	(7,265)	0
Benefit payments	(9,150)	(9,150)	0
Administrative expenses	0	(782)	782
Member contributions	0	26,379	(26,379)
Net investment income	0	129,726	(129,726)
Employer contributions	0	31,391	(31,391)
Other	0	2,650	(2,650)
Net Changes	<u>120,782</u>	<u>172,949</u>	<u>(52,167)</u>
Balance at 12/31/24	<u>\$ 1,420,183</u>	<u>\$ 1,437,016</u>	<u>\$ (16,833)</u>

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	1% Decrease in Discount Rate 6.60%	Current Discount Rate 7.60%	1% Increase in Discount Rate 8.60%
Total pension liability	\$ 1,564,743	\$ 1,420,183	\$ 1,295,212
Fiduciary net position	1,437,017	1,437,016	1,437,017
District's net pension liability (asset)	<u>\$ 127,726</u>	<u>\$ (16,833)</u>	<u>\$ (141,805)</u>

Galveston County Fresh Water Supply District No. 6

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the District recognized pension expense of \$32,199.

At September 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,209	\$ 5,471
Changes of assumptions		1,085
Net difference between projected and actual investment earnings		9,832
Contributions subsequent to the measurement date	19,356	N/A
Totals	\$ 20,565	\$ 16,388

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended Dec 31:		
2025	\$	(9,326)
2026		15,957
2027		(14,338)
2028		(7,472)
2029		0
Thereafter		0

NOTE 10 - FIRE PROTECTION AGREEMENT

On October 27, 2011, the District entered into an agreement with the Tiki Island Volunteer Fire Department (the "Tiki VFD") which provides that the Tiki VFD will provide fire protection to persons, buildings and property located within the District. The agreement went into effect June 1, 2012, which was the first day of the month following the adoption of an order of the District declaring the results of the special election in favor of a Fire Protection Plan.

Under the terms of the agreement, the District makes monthly payments of \$16,000 to Tiki VFD to provide fire protection services. On each September 1 after the initial term of one year, the monthly payments may be adjusted by 100% of any increase or decrease between the most recently published Consumer Price Index provided that no increase will be effective unless and until Tiki VFD provides 60 days written notice to the District of Tiki VFD's good faith belief that the increase is necessary to offset Tiki VFD's actual cost of service to the District's residents.

The agreement shall automatically be renewed after the initial one-year term for successive one-year terms. After the initial one-year term, either party may elect not to renew the

Galveston County Fresh Water Supply District No. 6

Exhibit B(3)

NOTES TO FINANCIAL STATEMENTS

agreement, with or without cause, by giving written notice to the other at least 60 days prior to the expiration of the then current term. In March 2020, the Board approved an amendment to the contract to increase the monthly payment to \$16,600 per month. In April 2022, the Board approved an amended and restated agreement, which provided that the District remit all of its monthly collections to the Tiki VFD to fund the contracted fire protection services, increased operating expenses and the acquisition of one new fire-fighting apparatus. The restated agreement shall automatically be renewed after the initial one-year term for successive one-year terms. After the initial one-year term, either party may elect not to renew the agreement, with or without cause, by giving written notice to the other at least 180 days prior to the expiration of the then current term.

Under the District's rate order in effect during the current fiscal year, each single-family residential connection was charged \$42.00 per month and each multi-family separate connection was charged \$30.00 per month times the number of residential units served by the connection. Beginning in the 2024 fiscal year, the District recorded these customer charges as a liability to Tiki VFD, with remittances to Tiki VFD as a reduction of the liability. As a result, no revenues or expenditures are reflected in the financial statements.

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 natural disasters for which the District carries commercial insurance. The District has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

NOTE 12 - NEW ACCOUNTING STANDARDS

During the current fiscal year, the District adopted the provision of GASB Statement No. 101 ("GASB 101"), *Compensated Absences*. The new standard updated the recognition, measurement and disclosure guidance for compensated absences. Under GASB 101, liabilities for compensated absences are recorded for leave that 1) accumulates, 2) is attributable to services already rendered, and 3) is more likely than not to be used or settle through cash or non-cash means. The cumulative effect of this change was reported in the Statement of Activities for the current fiscal year. Prior period financial statements were not restated as the impact of the new standard was not considered material.

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REQUIRED SUPPLEMENTARY INFORMATION

Galveston County Fresh Water Supply District No. 6

Exhibit C(1)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended September 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Water service charges	\$ 477,000	\$ 477,000	\$ 469,243	\$ (7,757)
Sewer service charges	356,000	356,000	336,543	(19,457)
Property taxes	542,000	542,000	535,471	(6,529)
Penalties and interest	5,700	5,700	5,834	134
Tap connection fees	9,000	9,000	9,355	355
Investment earnings	40,000	40,000	43,852	3,852
Other	3,980	3,980	3,590	(390)
Total Revenues	<u>1,433,680</u>	<u>1,433,680</u>	<u>1,403,888</u>	<u>(29,792)</u>
<u>Expenditures</u>				
Current:				
Purchased water service	275,000	275,000	254,254	20,746
Professional fees	69,450	69,450	102,687	(33,237)
Contracted services	30,000	30,000	26,292	3,708
Utilities	56,600	56,600	51,809	4,791
Repairs and maintenance	682,900	682,900	288,942	393,958
Personnel services	532,700	532,700	428,411	104,289
Administration	313,030	313,030	250,868	62,162
Capital Outlay			82,413	(82,413)
Total Expenditures	<u>1,959,680</u>	<u>1,959,680</u>	<u>1,485,676</u>	<u>474,004</u>
Net Change in Fund Balance	(526,000)	(526,000)	(81,788)	444,212
Fund Balances - Beginning	871,653	871,653	871,653	
Fund Balances - Ending	<u>\$ 345,653</u>	<u>\$ 345,653</u>	<u>\$ 789,865</u>	<u>\$ 444,212</u>

Galveston County Fresh Water Supply District No. 6

Exhibit C(2)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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 and serves as a planning tool.

Galveston County Fresh Water Supply District No. 6

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last Ten Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total Pension Liability				
Service cost	\$ 41,229	\$ 39,348	\$ 39,951	\$ 36,129
Interest on total pension liability	101,276	91,831	83,027	70,906
Effect of plan changes				53,662
Effect of assumption changes or inputs				(5,417)
Effect of economic/demographic (gains) or losses	(5,308)	1,037	(3,061)	2,934
Benefit payments/refunds of contributions	(16,415)	(3,472)	(3,472)	(1,659)
Net Change in Total Pension Liability	<u>120,782</u>	<u>128,744</u>	<u>116,445</u>	<u>156,555</u>
Total pension liability, beginning	1,299,401	1,170,657	1,054,212	897,657
Total Pension Liability, Ending (a)	<u><u>\$ 1,420,183</u></u>	<u><u>\$ 1,299,401</u></u>	<u><u>\$ 1,170,657</u></u>	<u><u>\$ 1,054,212</u></u>
Plan Fiduciary Net Position				
Employer contributions	\$ 31,391	\$ 30,374	\$ 29,260	\$ 77,649
Member contributions	26,379	25,525	24,182	23,234
Investment income net of investment expenses	129,726	120,205	(68,776)	189,239
Benefit payments/refunds of contributions	(16,415)	(3,472)	(3,472)	(1,659)
Administrative expenses	(782)	(660)	(638)	(595)
Other	2,650	3,061	7,955	3,033
Net Change in Plan Fiduciary Net Position	<u>172,949</u>	<u>175,033</u>	<u>(11,489)</u>	<u>290,901</u>
Plan fiduciary net position, beginning	1,264,067	1,089,034	1,100,523	809,622
Plan Fiduciary Net Position, Ending (b)	<u><u>\$ 1,437,016</u></u>	<u><u>\$ 1,264,067</u></u>	<u><u>\$ 1,089,034</u></u>	<u><u>\$ 1,100,523</u></u>
Net Pension Liability, Ending (a) - (b)	<u><u>\$ (16,833)</u></u>	<u><u>\$ 35,334</u></u>	<u><u>\$ 81,623</u></u>	<u><u>\$ (46,311)</u></u>
Plan Fiduciary Net Position as a % of Total Pension Liability	101.19%	97.28%	93.03%	104.39%
Pensionable covered payroll	\$ 527,581	\$ 510,496	\$ 483,633	\$ 464,681
Net pension liability as a % of covered payroll	-3.19%	6.92%	16.88%	-9.97%

Exhibit C-3

	2020	2019	2018	2017	2016	2015
\$	32,076	\$ 31,068	\$ 29,165	\$ 29,955	\$ 29,631	\$ 24,381
	63,807	53,305	46,926	38,343	30,935	24,127
		44,806		38,552	36,027	(2,154)
	48,292			1,898		2,709
	(2,180)	(530)	751	(1,996)	(2,894)	15,023
	<u>141,995</u>	<u>128,649</u>	<u>76,842</u>	<u>106,752</u>	<u>93,699</u>	<u>64,086</u>
	<u>755,662</u>	<u>627,013</u>	<u>550,171</u>	<u>443,419</u>	<u>349,720</u>	<u>285,634</u>
\$	<u><u>897,657</u></u>	<u><u>755,662</u></u>	<u><u>627,013</u></u>	<u><u>550,171</u></u>	<u><u>443,419</u></u>	<u><u>349,720</u></u>
\$	26,086	\$ 72,397	\$ 23,644	\$ 61,477	\$ 57,144	\$ 53,160
	21,921	20,675	20,026	18,920	18,374	17,653
	71,317	83,645	(8,335)	51,122	18,260	(4,822)
	(592)	(525)	(410)	(315)	(199)	(153)
	<u>1,488</u>	<u>3,284</u>	<u>1,349</u>	<u>1,074</u>	<u>6,456</u>	<u>(19)</u>
	<u>120,220</u>	<u>179,476</u>	<u>36,274</u>	<u>132,278</u>	<u>100,035</u>	<u>65,819</u>
	<u>689,402</u>	<u>509,926</u>	<u>473,652</u>	<u>341,374</u>	<u>241,339</u>	<u>175,520</u>
\$	<u><u>809,622</u></u>	<u><u>689,402</u></u>	<u><u>509,926</u></u>	<u><u>473,652</u></u>	<u><u>341,374</u></u>	<u><u>241,339</u></u>
\$	<u><u>88,035</u></u>	<u><u>66,260</u></u>	<u><u>117,087</u></u>	<u><u>76,519</u></u>	<u><u>102,045</u></u>	<u><u>108,381</u></u>
	90.19%	91.23%	81.33%	86.09%	76.99%	69.01%
\$	438,415	\$ 413,508	\$ 400,529	\$ 378,402	\$ 367,488	\$ 353,056
	20.08%	16.02%	29.23%	20.22%	27.77%	30.70%

Galveston County Fresh Water Supply District No. 6

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM **SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Ten Fiscal Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contribution	\$ 29,545	\$ 27,567	\$ 29,260	\$ 26,673
Actual Employer Contribution	<u>31,391</u>	<u>30,374</u>	<u>29,260</u>	<u>77,649</u>
Contribution Deficiency (Excess)	(1,846)	(2,807)	-	(50,976)
Pensionable Covered Payroll	\$ 527,581	\$ 510,496	\$ 483,633	\$ 464,681
Actual Contributions as a % of Covered Payroll	5.9%	5.9%	6.1%	16.7%

Exhibit C-4

2020	2019	2018	2017	2016	2015
\$ 25,691	\$ 24,397	\$ 23,631	\$ 22,477	\$ 24,144	\$ 23,160
<u>26,086</u>	<u>72,397</u>	<u>23,644</u>	<u>61,477</u>	<u>57,144</u>	<u>53,160</u>
(395)	(48,000)	(13)	(39,000)	(33,000)	(30,000)
\$ 438,415	\$ 413,508	\$ 400,529	\$ 378,402	\$ 367,488	\$ 353,056
6.0%	17.5%	5.9%	16.2%	15.5%	15.1%

Galveston County Fresh Water Supply District No. 6

Exhibit C(5)

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Method	11.2 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method	5 year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of admin and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-210 General Retirees Table for males and 120% of the Pub-210 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions *	2015: New inflation, mortality and other assumptions reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions *	2015: Employer contributions reflect that the prior service matching rate was increased to 25%. 2016: Employer contributions reflect that the prior service matching rate was increased to 30%. 2017: Employer contributions reflect that the prior service matching rate was increased to 35%. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that the prior service matching rate was increased to 40%. 2019: No changes in plan provisions were reflected in the Schedule. 2020: Employer contributions reflect that the prior service matching rate was increased to 45%. 2021: No changes in plan provisions were reflected in the Schedule. 2022: Employer contributions reflect that the prior service matching rate was increased to 50%. 2023 and 2024: No changes in plan provisions were reflected in the Schedule.

* - Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule of Contributions.

TEXAS SUPPLEMENTARY INFORMATION

Galveston County Fresh Water Supply District No. 6

SCHEDULE OF SERVICES AND RATES

For the Year Ended September 30, 2025

1. Services provided by the District:

<input checked="" type="checkbox"/>	Retail Water	<input type="checkbox"/>	Wholesale Water	<input type="checkbox"/>	Drainage
<input checked="" type="checkbox"/>	Retail Sewer	<input type="checkbox"/>	Wholesale Sewer	<input type="checkbox"/>	Irrigation
<input type="checkbox"/>	Parks/Recreation	<input type="checkbox"/>	Fire Protection	<input type="checkbox"/>	Security
<input type="checkbox"/>	Solid Waste/Garbage	<input type="checkbox"/>	Flood Control	<input type="checkbox"/>	Roads
<input type="checkbox"/>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<input type="checkbox"/>	Other (specify): _____				

2. Retail Service Providers

a. Retail rates based on 5/8" meter

The most prevalent type of meter (if not a 5/8"): _____ Retail rates not applicable
 Not Applicable

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water	\$17.00	3,000	N	\$3.90	3,001-8,000
				4.90	8,001-12,000
				5.90	12,001-16,000
				6.90	16,001 & over
Wastewater	\$20.00	3,000	N	\$1.50	3,001-8,000
				2.00	8,001-12,000
				2.50	12,001-16,000
				3.00	16,001 & over

Surcharge:

Fire protection \$42.00 N/A Y (See Note 10)

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage:

Water \$46.30 Wastewater \$31.50 Surcharge \$42.00

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
< or = .75"	1,049	1,040	x 1.0	1,040
1"	70	70	x 2.5	175
1.5"	2	2	x 5.0	10
2"	7	6	x 8.0	48
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water	1,128	1,118	██████	1,273
Total Wastewater	1,037	1,037	x 1.0	1,037

3. Total Water Consumption During the Fiscal Year: (Rounded to the nearest thousand)

Gallons pumped into system: 74,428,000 Water Accountability Ratio
 (Gallons billed/Gallons pumped)

Gallons billed to customers: 63,929,000 85.9%

4. **Standby Fees** (n/a)

5. **Location of District:**

County(ies) in which District is located. Galveston
Is the District located entirely within one county? Yes X No ___
Is the District located within a city? Entirely X Partly ___ Not at all ___
City(ies) in which District is located. Village of Tiki Island
Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely ___ Partly X Not at all ___
ETJ's in which District is located. City of Galveston, Hitchcock, and Texas City
Are Board members appointed by an office outside the District?
Yes ___ No X
If yes, by whom? _____

Galveston County Fresh Water Supply District No. 6

TSI-2

SCHEDULE OF GENERAL FUND EXPENDITURES

For the Year Ended September 30, 2025

Current

Personnel Services	\$ 428,411
Professional Fees:	
Auditing	18,000
Billing	28,600
Legal	52,307
IT Services	3,780
	<u>102,687</u>
Purchased Water Service	<u>254,254</u>
Contracted Services:	
Bookkeeping	26,292
	<u>26,292</u>
Utilities	<u>51,809</u>
Repairs and Maintenance:	<u>288,942</u>
Administration:	
Office supplies	2,400
Salaries and benefits	238,115
Permit fees and licenses	8,787
Other	1,566
	<u>250,868</u>
Capital Outlay	<u>82,413</u>
Total Expenditures	<u>\$ 1,485,676</u>

Number of employees employed by the District:

<u>5</u>	Full-time
<u> </u>	Part-time

Galveston County Fresh Water Supply District No. 6

TSI-3

SCHEDULE OF TEMPORARY INVESTMENTS

For the Year Ended September 30, 2025

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Balances at September 30, 2025</u>	<u>Accrued Interest</u>
<u>General Fund</u>					
TexPool	844000001	Variable	N/A	\$ 187,873	\$
LOGIC	140979001	Variable	N/A	797,715	_____
Total General Fund				985,588	_____
<u>Debt Service Fund</u>					
TexPool	844000004	Variable	N/A	200,620	_____
LOGIC	140979003	Variable	N/A	5,381	_____
Total Debt Service Fund				206,001	_____
<u>Capital Projects Fund</u>					
TexPool	844000006	Variable	N/A	1,388	_____
LOGIC	140979002	Variable	N/A	1,378,457	_____
Total Capital Projects Fund				1,379,845	_____
Total - All Funds				\$ 2,571,434	\$

All interest has been received as of September 30, 2025.

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Galveston County Fresh Water Supply District No. 6

TSI-4

ANALYSIS OF TAXES LEVIED AND RECEIVABLE

For the Year Ended September 30, 2025

	General Fund	Debt Service Fund	Total	
Taxes receivable - October 1, 2024	\$ 12,184	\$ 17,340	\$ 29,524	
Additions and corrections-prior years	(547)	(244)	(791)	
Adjusted taxes receivable - October 1, 2024	11,637	17,096	28,733	
Original tax roll 2024	521,174	716,049	1,237,223	
Additions and corrections-current year	15,816	21,730	37,546	
Adjusted tax roll	536,990	737,779	1,274,769	
Total to be Accounted for	548,627	754,875	1,303,502	
Tax Collections				
Current year	531,442	730,156	1,261,598	
Prior years	4,030	5,536	9,566	
Total Collections	535,472	735,692	1,271,164	
Taxes Receivable - September 30, 2025	\$ 13,155	\$ 19,183	\$ 32,338	
 Taxes Receivable - By Tax Year				
2024	\$ 5,548	\$ 7,623	\$ 13,171	
2023	2,768	4,208	6,976	
2022	1,492	1,909	3,401	
2021	1,230	1,796	3,026	
2020 and prior	2,117	3,647	5,764	
Taxes Receivable - September 30, 2025	\$ 13,155	\$ 19,183	\$ 32,338	
 Property Valuations				
	2024	2023	2022	2021
Land	\$ 436,206,490	\$ 296,346,074	\$ 286,907,311	\$ 285,405,115
Improvements	468,729,482	534,650,191	426,895,869	367,726,191
Personal Property	2,460,610	1,778,860	519,510	486,570
Exemptions	(158,100,821)	(141,532,050)	(108,570,454)	(101,992,801)
Total Property Valuations	\$ 749,295,761	\$ 691,243,075	\$ 605,752,236	\$ 551,625,075
 Tax Rates Per \$100				
Valuations				
Debt service	\$ 0.098463	\$ 0.099551	\$ 0.111542	\$ 0.095888
Maintenance and operations	0.071666	0.072459	0.073361	0.074917
Total Tax Rate per \$100 Valuation	\$ 0.170129	\$ 0.172010	\$ 0.184903	\$ 0.170805
Tax Rolls *	\$ 1,274,769	\$ 1,189,007	\$ 1,120,054	\$ 942,203
 Percent of taxes collected to taxes levied (as adjusted)				
	99.0%	99.4%	99.7%	99.7%

* As adjusted

Galveston County Fresh Water Supply District No. 6

LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

September 30, 2025

Due During Fiscal Year Ending September 30	Total All Series			Series 2014		
	Principal Due	Interest Due	Total	Principal Due	Interest Due	Total
	April 1	April 1, October 1		April 1	April 1, October 1	
2026	\$ 545,000	\$ 274,250	\$ 819,250	\$ 90,000	\$ 70,375	\$ 160,375
2027	555,000	259,022	814,022	95,000	66,675	161,675
2028	565,000	243,410	808,410	100,000	62,775	162,775
2029	560,000	227,623	787,623	105,000	58,675	163,675
2030	570,000	211,664	781,664	110,000	54,375	164,375
2031	310,000	198,487	508,487	115,000	49,875	164,875
2032	325,000	188,038	513,038	120,000	45,175	165,175
2033	340,000	177,089	517,089	125,000	40,275	165,275
2034	360,000	165,537	525,537	135,000	35,075	170,075
2035	375,000	153,388	528,388	140,000	29,575	169,575
2036	385,000	140,607	525,607	145,000	23,694	168,694
2037	405,000	126,913	531,913	155,000	17,319	172,319
2038	425,000	112,294	537,294	160,000	10,625	170,625
2039	445,000	96,815	541,815	170,000	3,612	173,612
2040	290,000	84,134	374,134			
2041	300,000	74,550	374,550			
2042	310,000	64,634	374,634			
2043	325,000	54,281	379,281			
2044	340,000	43,331	383,331			
2045	355,000	31,672	386,672			
2046	180,000	21,600	201,600			
2047	190,000	13,275	203,275			
2048	200,000	4,500	204,500			
Total	<u>\$ 8,655,000</u>	<u>\$ 2,967,114</u>	<u>\$ 11,622,114</u>	<u>\$ 1,765,000</u>	<u>\$ 568,100</u>	<u>\$ 2,333,100</u>

Due During Fiscal Year Ending September 30	Series 2023		
	Principal Due	Interest Due	Total
	April 1	April 1, October 1	
2026	\$ 65,000	\$ 116,144	\$ 181,144
2027	70,000	113,444	183,444
2028	75,000	110,544	185,544
2029	75,000	107,544	182,544
2030	80,000	104,444	184,444
2031	85,000	101,144	186,144
2032	90,000	97,644	187,644
2033	95,000	93,944	188,944
2034	100,000	90,044	190,044
2035	105,000	85,944	190,944
2036	110,000	81,644	191,644
2037	115,000	77,144	192,144
2038	120,000	72,369	192,369
2039	125,000	67,315	192,315
2040	135,000	61,868	196,868
2041	140,000	56,025	196,025
2042	145,000	49,968	194,968
2043	155,000	43,593	198,593
2044	160,000	36,800	196,800
2045	170,000	29,475	199,475
2046	180,000	21,600	201,600
2047	190,000	13,275	203,275
2048	200,000	4,500	204,500
Total	<u>\$ 2,785,000</u>	<u>\$ 1,636,416</u>	<u>\$ 4,421,416</u>

Note: The District has been paying the amount due October 1st within the fiscal year preceding the due date and recognizing the expenditure in the year paid, and this schedule has been prepared assuming this practice will continue.

Due During Fiscal Year Ending September 30	Series 2016R			Series 2020		
	Principal Due April 1	Interest Due April 1, October 1	Total	Principal Due April 1	Interest Due April 1, October 1	Total
2026	\$ 300,000	\$ 30,263	\$ 330,263	\$ 90,000	\$ 57,468	\$ 147,468
2027	295,000	23,284	318,284	95,000	55,619	150,619
2028	290,000	16,422	306,422	100,000	53,669	153,669
2029	280,000	9,736	289,736	100,000	51,668	151,668
2030	275,000	3,226	278,226	105,000	49,619	154,619
2031				110,000	47,468	157,468
2032				115,000	45,219	160,219
2033				120,000	42,870	162,870
2034				125,000	40,418	165,418
2035				130,000	37,869	167,869
2036				130,000	35,269	165,269
2037				135,000	32,450	167,450
2038				145,000	29,300	174,300
2039				150,000	25,888	175,888
2040				155,000	22,266	177,266
2041				160,000	18,525	178,525
2042				165,000	14,666	179,666
2043				170,000	10,688	180,688
2044				180,000	6,531	186,531
2045				185,000	2,197	187,197
2046						
2047						
2048						
Total	<u>\$ 1,440,000</u>	<u>\$ 82,931</u>	<u>\$ 1,522,931</u>	<u>\$ 2,665,000</u>	<u>\$ 679,667</u>	<u>\$ 3,344,667</u>

Galveston County Fresh Water Supply District No. 6

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

For the Year Ended September 30, 2025

	Bond Issue		
	Series 2014	Series 2016R	Series 2020
Interest rate	2.0% - 4.0%	2.35% - 2.35%	2.0% - 2.375%
Dates interest payable	4/1;10/1	4/1;10/1	4/1;10/1
Maturity dates	4/1/2015- 4/1/2039	4/1/2017- 4/1/2030	4/1/2022- 4/1/2045
Original issue amount	\$ 2,500,000	\$ 3,090,000	\$ 3,000,000
Bonds outstanding at beginning of year	\$ 1,850,000	\$ 1,745,000	\$ 2,755,000
Bonds issued			
Principal retirements/refundings	(85,000)	(305,000)	(90,000)
Bonds Outstanding at End of Year	\$ 1,765,000	\$ 1,440,000	\$ 2,665,000
Interest Retirements	\$ 73,875	\$ 37,360	\$ 59,269

Paying Agent's Name and City

Series 2014	Wells Fargo Bank, N.A. Houston, Texas
Series 2016R	Regions Bank Birmingham, Alabama
Series 2020 and 2023	The Bank of New York Mellon Trust Company, N.A. Dallas, Texas

Bond Authority	Refunding and Tax Bonds
Amount authorized	\$ 35,300,000
Amount issued	\$ 17,295,942
Remaining	\$ 18,004,058

Debt Service Fund Cash and Temporary Investment Balances at End of Year	\$ 236,333
Average Annual Debt Service Payment for Remaining Term of all Debt	\$ 505,309

<u>Series 2023</u>	<u>Total</u>
4.0% - 4.5%	
4/1;10/1	
4/1/2024- 4/1/2048	
\$ 2,910,000	
\$ 2,850,000	\$ 9,200,000
<u>(65,000)</u>	<u>(545,000)</u>
<u>\$ 2,785,000</u>	<u>\$ 8,655,000</u>
<u>\$ 118,744</u>	<u>\$ 289,248</u>

Galveston County Fresh Water Supply District No. 6

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL AND DEBT SERVICE FUNDS

Last Five Fiscal Years

	Amounts				
	2025	2024	2023	2022	2021
General Fund Revenues					
Water and sewer service	\$ 805,786	\$ 794,591	\$ 841,668	\$ 780,322	\$ 705,873
Fire protection *			525,191	201,390	200,157
Property taxes	535,471	498,857	443,642	415,789	371,937
Penalties and interest	5,834	6,311	6,099	5,482	5,255
Tap connection fees	9,355	9,315	18,255	21,500	11,055
Intergovernmental			132,207	131,946	20
Interest earned and other	47,442	57,169	32,408	10,672	4,531
Total Revenues	1,403,888	1,366,243	1,999,470	1,567,101	1,298,828
General Fund Expenditures					
Current	1,403,263	1,439,876	1,759,843	1,318,954	1,279,898
Capital outlay	82,413	106,731	86,657		
Total Expenditures	1,485,676	1,546,607	1,846,500	1,318,954	1,279,898
Revenues Over (Under) Expenditures	\$ (81,788)	\$ (180,364)	\$ 152,970	\$ 248,147	\$ 18,930
Debt Service Fund Revenues					
Property taxes	\$ 735,693	\$ 685,215	\$ 674,325	\$ 533,791	\$ 544,864
Penalty and interest	8,999	7,306	7,932	8,166	10,539
Interest earned	12,955	18,580	16,379	2,534	333
Total Revenues	757,647	711,101	698,636	544,491	555,736
Debt Service Fund Expenditures					
Tax collection	14,283	11,320	8,542	9,250	8,376
Debt service	837,387	857,977	685,683	687,142	597,452
Total Expenditures	851,670	869,297	694,225	696,392	605,828
Revenues Over (Under) Expenditures	\$ (94,023)	\$ (158,196)	\$ 4,411	\$ (151,901)	\$ (50,092)
* Beginning in 2024, the District began accounting for the fire protection surcharge as a liability, instead of revenue, as all amounts collected are remitted to the Tiki Island Volunteer Fire Department.					
Total Active Retail					
Water Connections	1,118	1,115	1,107	1,102	1,094
Total Active Retail					
Wastewater Connections	1,037	1,034	1,033	1,022	1,020

Percent of Total Fund Revenues				
2025	2024	2023	2022	2021
57.4 %	58.2 %	42.1 %	49.8 %	54.3 %
		26.3	12.9	15.4
38.1	36.5	22.2	26.5	28.6
0.4	0.5	0.3	0.3	0.4
0.7	0.7	0.9	1.4	0.9
		6.6	8.4	
3.4	4.1	1.6	0.7	0.4
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
100.0	105.4	88.0	84.2	98.5
5.9	7.8	4.3		
<u>105.9</u>	<u>113.2</u>	<u>92.3</u>	<u>84.2</u>	<u>98.5</u>
<u>(5.9) %</u>	<u>(13.2) %</u>	<u>7.7 %</u>	<u>15.8 %</u>	<u>1.5 %</u>
97.1 %	96.4 %	96.5 %	98.0 %	98.0 %
1.2	1.0	1.1	1.5	1.9
1.7	2.6	2.4	0.5	0.1
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
1.9	1.6	1.2	1.7	1.5
110.5	120.7	98.1	126.2	107.5
<u>112.4</u>	<u>122.3</u>	<u>99.3</u>	<u>127.9</u>	<u>109.0</u>
<u>(12.4) %</u>	<u>(22.3) %</u>	<u>0.7 %</u>	<u>(27.9) %</u>	<u>(9.0) %</u>

Galveston County Fresh Water Supply District No. 6

TSI-8

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

September 30, 2025

District's Mailing Address: 802 Tiki Drive
Tiki Island, Texas 77554

District's Business Telephone Number: (409) 935-1486

Submission Date of most recent District Registration Form
(TWC Sections 36.054 and 49.054) September 18, 2025

<u>Names</u>	<u>Term or Date Hired</u>	<u>Fees of Office Paid*</u>	<u>Expenses*</u>	<u>Title at Year-End</u>
<u>Board Members</u>				
James J. Sandy, III	5/22-5/26			President
James C. Wheeler	5/22-5/26			Vice- President
Michael Boone	5/24-5/28			Secretary/ Treasurer
Jeremy Benefiel	9/24-5/28 Appointed			Assistant Secretary/ Treasurer
Kerry G. Hartis	6/25-5/28 Appointed			Director
<u>Key Administrative Personnel</u>				
Steve Jefferson	12/7/1985			General Manager
<u>Consultants</u>				
Wallace & Philbin, L.L.P.		\$ 52,307		Attorney
Ray Tax Group, LLC		26,292		Bookkeeper
Cheryl E. Johnson Galveston Co. Tax Office		959		Tax Assessor/ Collector
Sander Engineering		19,939		Engineer
Galveston Central Appraisal District		10,824		Central Appraisal District
Post Oak Municipal Advisors, LLC				Financial Advisor
Knox Cox & Company, LLP		18,000		Independent Auditor

* No fees or expense reimbursements were paid to the directors during the year.

