

OFFICIAL NOTICE OF SALE

\$16,885,000

BACLIFF MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located within Galveston County, Texas)

UNLIMITED TAX BONDS, SERIES 2025

Sealed Bids Due: July 8, 2025, at 9:30 a.m., Local time

Award: July 8, 2025, at 10:00 a.m., Local time

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

THE DISTRICT WILL NOT DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

THE SALE

Bonds Offered for Sale at Competitive Bidding . . . The District is offering for sale its \$16,885,000 Unlimited Tax Bonds, Series 2025 (the "Bonds").

Place and Time of Bid Opening . . . The District will open sealed bid for purchase of the Bonds at the designated meeting place within the boundaries of the District at the District's offices at 4302 12th Street, Bacliff, Texas 77518 on July 8, 2025 at 9:30 a.m, local time.

Award of Bonds . . . On the day of the sale at 10:00 a.m., the Board of Directors of the District (the "Board") will hold at a meeting at which it will take action to award the Bonds or reject all bids promptly upon the opening of bids. Upon awarding the Bonds, the District will also adopt the order authorizing issuance of the Bonds (the "Bond Order") and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Order to which Bond Order reference is hereby made for all purposes.

Address of Bids/Bids Delivered in Person . . . Sealed bids, plainly marked "Bid for Bonds," should be addressed to the Board and, if delivered in person, delivered to the designated meeting place inside the boundaries of the District located at 4302 12th Street, Bacliff, TX 77518, **by 9:30 a.m., local time**, on the date of the bid opening. All bids must be submitted on the "Official Bid Form" without alteration or interlineation. Copies of the Official Bid Form accompany this Official Notice of Sale.

Electronic Bidding Procedure . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Bidders submitting an electronic bid shall not be required to submit Official Bid Forms.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being at the sole risk of the prospective bidder.

If any provisions of the Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from i-Deal, 1359 Broadway, 2nd Floor, New York, NY 10018, (212) 849-5000.

Notice is hereby given that electronic proposals may be submitted electronically via **PARITY** pursuant to this Notice of Sale, **until 9:30 a.m. local time**, but no bid will be received after the time for receiving bids specified above.

For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the District, as described under "CONDITIONS OF SALE - Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

THE BONDS

Description of Bonds . . . The Bonds will be dated July 15, 2025, and interest on the Bonds will accrue from the date of delivery (estimated on or about August 12, 2025) and be payable on March 1 and September 1 of each year, commencing March 1, 2026 (each an “Interest Payment Date”), until maturity or earlier redemption. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only pursuant to the Book-Entry-Only System described in the PRELIMINARY OFFICIAL STATEMENT. No physical delivery of the Bonds will be made to the owners thereof. The initial paying agent/registrant (the “Paying Agent”) is BOKF, NA, Dallas, Texas. The Bonds mature serially on September 1 in the years and amounts shown below.

<u>Principal Amount Maturing</u>	<u>Year of Maturity</u>	<u>Principal Amount Outstanding</u>	<u>Year of Maturity</u>
\$55,000	2026	\$980,000	2038 ⁽ⁱ⁾
55,000	2027	1,035,000	2039 ⁽ⁱ⁾
65,000	2028	1,090,000	2040 ⁽ⁱ⁾
60,000	2029	1,150,000	2041 ⁽ⁱ⁾
70,000	2030	1,215,000	2042 ⁽ⁱ⁾
60,000	2031	1,285,000	2043 ⁽ⁱ⁾
65,000	2032 ⁽ⁱ⁾	1,355,000	2044 ⁽ⁱ⁾
70,000	2033 ⁽ⁱ⁾	1,425,000	2045 ⁽ⁱ⁾
75,000	2034 ⁽ⁱ⁾	1,505,000	2046 ⁽ⁱ⁾
75,000	2035 ⁽ⁱ⁾	1,590,000	2047 ⁽ⁱ⁾
80,000	2036 ⁽ⁱ⁾	1,675,000	2048 ⁽ⁱ⁾
80,000	2037 ⁽ⁱ⁾	1,770,000	2049 ⁽ⁱ⁾

- (i) The District reserves the right to redeem, prior to maturity, those Bonds maturing on and after September 1, 2033, in whole or from time to time in part on September 1, 2032, or any date thereafter, in integral multiples of \$5,000 at a price of par plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption.

Serial Bonds and/or Term Bonds . . . Bidders may provide that all of the Bonds be issued as Bonds maturing serially as shown above (the “Serial Bonds”) or may provide that any two or more consecutive maturing annual principal amounts be combined into one or more “Term Bonds”. In the event any of the Bonds are structured as Term Bonds at the option of the Initial Purchaser (as defined herein), such Term Bond will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Order, which provisions will be included in the final Official Statement.

Source of Payment . . . The Bonds are special obligations of the District payable from proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. **The Bonds are obligations solely of Bacliff Municipal Utility District and are not obligations of the State of Texas, Galveston County, the City of League City, The City of Texas City, or any entity other than the District.** See “THE BONDS – Source of Payment” in the Preliminary Official Statement.

Other Terms and Covenants . . . Other terms of the Bonds and various covenants of the District contained in the Bond Order under which the Bonds are to be issued are described in the Preliminary Official Statement, to which reference is made for all purposes.

Book-Entry-Only System . . . The District intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”). See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.

Municipal Bond Rating . . . The Bonds have been assigned a rating of “A-” by S&P Global Ratings (“S&P”).

CONDITIONS OF SALE

Types of Bids and Interest Rates . . . The Bonds will be sold in one block, on an all or none basis, and no bid of less than 97% of par value plus accrued interest to the date fixed for delivery will be accepted. The net effective interest rate must not exceed 6.23% pursuant to an Order of the Texas Commission on Environmental Quality. Bidders must specify the rate or rates of interest the Bonds will bear, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1%. Subject to the conditions below, no limitation will be imposed upon bidders as to the number of interest rates that may be used and the highest interest rate bid may not exceed the lowest interest rate bid by more than 3% in rate. All Bonds maturing within a single year must bear the same rate of interest. No bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid.

Basis of Award . . . For the purpose of awarding the sale of the Bonds, the total interest cost of each bid will be computed by determining, at the rate or rates specified, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto the dollar amount of the discount bid, if any, or deducting there from the premium bid, if any. Subject to the right of the District to reject any or all bids, the Bonds will be awarded to the bidder whose bid, based on the above computation, produces the lowest net effective interest rate. In the event of mathematical discrepancies between the interest rates and the interest costs determined therefrom, as both appear on the "Official Bid Form," the bid will be determined solely from the interest rates shown on the "Official Bid Form."

Contracting Information . . . The District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that the bidder and each syndicate member listed on the Official Bid Form will (i) preserve all contracting information related to the bid as provided by the records retention requirements applicable to the District through the delivery date of the Bonds, (ii) promptly provide to the District any contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member on request of the District, and (iii) upon delivery of the Bonds to the bidder, either (a) provide at no cost to the District all contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member or (b) preserve the contracting information related to the bid as provided by the records retention requirements applicable to the District. The term "contracting information" as used in this paragraph has the meaning assigned to such term in Section 552.003 of the Texas Government Code.

Good Faith Deposit . . . Each bid must be accompanied by a bank cashier's check payable to the order of "Bacliff Municipal Utility District" in the amount of \$337,700, which is 2% of the par value of the Bonds. The check will be considered as a Good Faith Deposit, and the check of the successful bidder (the "Initial Purchaser") will be retained un-cashed by the District until the Bonds are delivered. Upon payment for and delivery of the Bonds, the Good Faith Deposit will be returned to the Initial Purchaser un-cashed. In the event the Initial Purchaser should fail or refuse to accept delivery of and pay for the Bonds in accordance with its bid, then the check will be cashed and the proceeds accepted by the District as full and complete liquidated damages. Such check may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn, which authorize its use as a Good Faith Deposit. The checks of the unsuccessful bidders will be returned immediately after bids are opened and sale of the Bonds has been awarded. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

Obligation of the District to Receive Information from Initial Purchaser . . . Pursuant to Texas Government Code, Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the bidder either: (a) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"), or (b) represents to the District by marking the appropriate check box on the signature page of the Official Bid Form that the bidder represents to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity (the "Publicly Traded Entity Representation"). In the event that the bidder's bid for the Bonds is the best bid received and the bidder does not provide the Publicly Traded Entity Representation, the District, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid and the winning bidder must promptly file the materials described below.

The Disclosure Form can be found at <https://www.ethics.state.tx.us/filinginfo/1295/> and reference should be made to the following information to complete it: (a) item 2 — Bacliff Municipal Utility District, (b) item 3 — (identification number assigned to this contract) "BACLIFF MUD – S2025" and (c) item 3 — (description of goods or services) Initial Purchaser of Bonds.

If the bidder doesn't provide the Publicly Traded Entity Representation, the District cannot accept your bid unless and until you: (i) complete the Disclosure Form electronically at the TEC's "electronic portal", and (ii) print, sign and deliver a copy of the Disclosure Form that is generated by the TEC's "electronic portal." These materials must be delivered electronically to the District's Co-Bond Counsel at joann@bwmtn.com and sdoncarlos@sdclawyer.com and Financial Advisor at clane@samcocapital.com no later than 12:00p.m. (CDT) on the bid due date.

If the Disclosure Form is required, time will be of the essence in submitting the form to the District. If multiple entities are listed on the winning Official Bid Form and the Publicly Traded Entity Representation is not provided, each such entity will be required to submit a Disclosure Form to the District.

Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid.

If the apparent winning bidder fails to promptly file the Disclosure Form, the District reserves the right to reject such bid and, through its financial advisor, provide conditional verbal acceptance to the bidder submitting a bid, conforming to the specifications herein, which produces the next, lowest net effective interest rate to the District.

Impact of Bidding Syndicate on Award . . . For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Initial Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Statutory Representations and Covenants . . . By submitting a bid, each bidder makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder's bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Bonds created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

Not a Sanctioned Company. Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes each bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

No Boycott of Israel. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

No Discrimination Against Firearm Entities. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

No Boycott of Energy Companies. Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

Standing Letter Requirement . . . The winning bidder represents that it, and each syndicate member listed on the Official Bid form, if any, has, as of the date bids are due on the Bonds and as of closing, on file with the Texas Attorney General a standing letter addressing the representations and verifications described above under "Statutory Representations and Covenants" in this Notice of Sale in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2023) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a "Standing Letter"). In addition, if the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking written verification that such bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (a "Request Letter"), the winning bidder shall promptly notify the District and Co-Bond Counsel (if it has not already done so) and provide to the District or Bond Counsel, two (2) business days prior to closing and additionally upon request by the District or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence

remains in effect and may be relied upon by the District and the Texas Attorney General (the “Bringdown Verification”). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail.

The District reserves the right, in its sole discretion, to reject any bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Bonds. In the event that a bidder does not have such standing letter on file at the time of submission of a bid, the bidder agrees to file such standing letter with the Municipal Advisory Council of Texas and the Texas Attorney General’s Office by the earlier of: (a) two (2) hours after submitting its bid, and (b) the deadline for bids for the Bonds.

OFFICIAL STATEMENT

By accepting the winning bid, the District agrees to the following representations and covenants to assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission (“SEC”).

Final Official Statement . . . The District has prepared the accompanying Preliminary Official Statement for dissemination to potential Initial Purchasers of the Bonds but will not prepare any other document or version for such purpose, except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates bid, the purchase price bid, the ratings assigned to the Bonds (if not currently included) if applicable, the initial public offering yields as set forth in the Official Bid Form, or otherwise supplied by the Initial Purchaser, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the District represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(f)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Official Statement under “OFFICIAL STATEMENT - Certification as to Official Statement.”

Changes to Official Statement During Underwriting Period . . . If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to SEC Rule 15c2-12 (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule 15c2-12) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement, which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as, described below. See “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery.” The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule 15c2-12), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional 25 days after all the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule 15c2-12.

Delivery of Official Statements . . . The District will furnish to the Initial Purchaser (and to each other participating Initial Purchaser of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements requested but not in excess of 50 copies. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential Initial Purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may request prior to the 90th day after the end of the underwriting period referred to in SEC Rule 15c2-12(e)(2). The District will pay the expense of preparing up to 50 copies of the Official Statement and all copies of any supplement or amendment issued on or before the delivery date, but the Initial Purchaser must pay for all other copies of the Official Statement or any supplement or amendment thereto.

Severability . . . In case any provision herein, or application thereof, shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions or applications shall not in any way be affected or impaired thereby.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

Delivery . . . The Initial Bond will be tendered to the Initial Purchaser as a single typewritten, photocopied or otherwise reproduced bond for the entire issue in fully registered form in the aggregate principal amount of \$16,885,000 payable to the Initial Purchaser or its representative as designated in the Official Bid Form, and approved by the Attorney General of the State of Texas and registered and signed by the Comptroller of Public Accounts of the State of Texas. Upon delivery of the Initial Bond, it shall be immediately canceled and one definitive Bond for each maturity will be registered to Cede & Co., and deposited with DTC in connection with DTC's Book-Entry-Only System. Initial delivery will be at the designated office for payment of the Paying Agent in Dallas, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The District will endeavor to provide at least five (5) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that initial delivery can be made on or about August 12, 2025, and it is understood and agreed that the Initial Purchaser will accept delivery and make payment for the Bonds no later than 9:30 a.m., local time on August 12, 2025 or thereafter on the date the Bonds are tendered for delivery up to and including August 12, 2025. If for any reason the District is unable to make delivery on or before August 12, 2025, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend his offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within five (5) business days thereafter, then the Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation. In no event will the District be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the District's reasonable control.

CUSIP Numbers . . . It is anticipated that CUSIP identification numbers will be printed or otherwise reproduced on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause of a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and the terms of the Official Bid Form. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the District. However, the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Initial Purchaser.

Conditions to Delivery . . . The obligation of the Initial Purchaser to take up and pay for the Bonds is subject to the Initial Purchaser's receipt of the legal opinion of the Attorney General of Texas, the legal opinion Baker Williams Matthiesen LLP, Houston, Texas, and Stephen H. DonCarlos PLLC, Baytown, Texas, as Co-Bond Counsel for the District ("Bond Counsel"), the no-litigation certificate, as described below, and the non-occurrence of the events described below under "No Material Adverse Change". In addition, if the District fails to comply with its obligations under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

Legal Opinions . . . The District will furnish the Initial Purchaser a transcript of certain proceedings held incident to the authorization and issuance of the Bonds, including a certified copy or original 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 binding obligations of the District, payable from the proceeds of a continual direct annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District. The District also will furnish the legal opinion of Special Tax Counsel, based upon the assumption described in the Preliminary Official Statement under the heading "LEGAL MATTERS – Legal Proceedings," to the effect that the Bonds are valid and binding obligations of the District and the legal opinion of Orrick Herrington & Sutcliffe LLP ("Special Tax Counsel") that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Preliminary Official Statement. Neither the opinion of the Attorney General nor the opinion of Special Tax Counsel or Bond Counsel will express any opinion or make any comment with respect to the sufficiency of the security for or the marketability of the Bonds.

Certification of Issue Price . . . In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended, relating to the exemption of interest on the Bonds from the gross income of their owners, the Initial Purchaser will be required to complete, execute, and deliver to the District (on or before the date of delivery of the Bonds) a certification as to the "issue price" of the Bonds substantially in the form accompanying this "Notice of Sale" of the Bonds. In the event the successful bidder will not re-offer the Bonds for sale or is unable to sell a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner approved by the District and Special Tax Counsel. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate by the date of delivery of the Bonds, if its bid is accepted by the District. It will be the responsibility of the Initial Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Special Tax Counsel. In no event will the District fail to deliver the Bonds as a result of the Initial Purchaser's inability to sell a substantial amount of the Bonds at a particular price prior to delivery.

Competitive Bidding and Certificate Regarding Issue Price . . . In the event that the District does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the District to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, the District

will treat (i) the first price at which 10 percent of a maturity of the Bonds is sold to the public as the issue price of that maturity (the "10 percent rule") or (b) if the Initial Purchaser has agreed in writing not to sell or offer certain maturities of the Bonds at a price higher than the initial offering price for such maturities for a period of five business days after the sale date, the initial offering price to the public as of the sale date of such maturities of the Bonds is the issue price of that maturity (the "hold the price rule"). With respect to the maturities of the Bonds that are subject to the 10 percent rule, if the 10 percent rule has not been satisfied as to any maturity of the Bonds, the Initial Purchaser agrees to promptly report to SAMCO Capital Markets, Inc., the prices at which it sells Bonds of that maturity to the public. This reporting obligation shall continue, whether or not the Bonds have been delivered, until the 10 percent rule has been satisfied. Alternative language is included in the Certificate Regarding Issue Price for use (I) when the competitive sale requirements of Treasury Regulation §1.148-1(f)(3)(i) are met and (II) when such requirements are not met.

Qualified Tax-Exempt Obligations for Financial Institutions . . . Section 265(a) of the Code provides, in general, that interest paid or incurred by a taxpayer, including a "financial institution," as defined in the code, on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer which is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," which are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the 2025 calendar year. Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

The District will NOT designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

No Material Adverse Change . . . The obligations of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that at the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition of the District from those set forth in or contemplated by the Preliminary Official Statement as it may have been supplemented or amended through the date of sale.

No-Litigation Certificate . . . On the date of delivery of the Bonds to the Initial Purchaser, the District will deliver to the Initial Purchaser a certificate, as of the same date, substantially to the effect that to the best of the District's knowledge no litigation of any nature is pending or, to the best of the certifying officers' knowledge or belief, threatened against the District, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision made for the payment of or security for 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 and directors of the District.

Rule G-32 Requirements . . . It is the responsibility of the Initial Purchaser to comply with the Municipal Securities Rulemaking Board's Rule G-32 within the required time frame. The Initial Purchaser must send two copies of the Official Statement along with two complete Form G-32's to the appropriate address.

CONTINUING DISCLOSURE AGREEMENT

The District will agree in the Bond Order to provide certain periodic information and notices of material events in accordance with SEC Rule 15c2-12, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Initial Purchaser's (s') or its (their) agent's obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser of a certified copy of the Bond Order containing the agreement described under such heading.

GENERAL CONSIDERATIONS

Investment Considerations . . . The Bonds involve certain investment considerations and all prospective bidders are urged to examine carefully the Preliminary Official Statement with respect to the investment considerations associated with the Bonds. Particular attention should be given to the information set forth therein under the caption "INVESTMENT CONSIDERATIONS."

Reservation of Rights . . . The District reserves the right to reject any and all bids and to waive any and all irregularities, except time of filing.

Not an Offer to Sell . . . This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

Registration and Qualification Under Securities Laws . . . The Bonds will not be registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered

or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, 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.

By submission of a bid, the Initial Purchaser represents that its sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification or, where necessary, the Initial Purchaser will register and qualify the Bonds in accordance with the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds, or in obtaining exemption from registration or qualification, in any state where such action is necessary, provided that the District shall not be required to file a general or special consent to service or process in any jurisdiction.

Copies of Documents . . . Copies of the Official Notice of Sale, the Preliminary Official Statement, the Official Bid Form, and Audits may be obtained at the offices of SAMCO Capital Markets, Inc., 6805 Capital of Texas Highway, Suite 350, Austin, Texas 78731, Financial Advisor to the District.

Brad Bingham, President
Board of Directors
Bacliff Municipal Utility District

July 8, 2025

OFFICIAL BID FORM

President and Board of Directors
Bacliff Municipal Utility District
c/o Baker Williams Matthiesen LLP, Houston, Texas
5005 Woodway Dr., Suite 201
Houston, TX 77056

Directors:

We have read in detail the Official Notice of Sale and Preliminary Official Statement of Bacliff Municipal Utility District (the "District") relating to its \$16,885,000 Unlimited Tax Bonds, Series 2025 (the "Bonds"), which by reference are made a part hereof. We recognize the special investment considerations involved in these securities, and have made such inspections and investigations as we deem necessary in order to evaluate the investment quality of the Bonds. Accordingly, we offer to purchase the District's legally issued Bonds, upon the terms and conditions set forth in the Bond Order, the Official Notice of Sale and the Preliminary Official Statement, for a cash price of \$_____ (which represents _____% of par value) plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds mature September 1 and bear interest in each year at the following rates:

Maturity		Interest	Mandatory	Maturity		Interest	Mandatory
(September 1)	Amount	Rate	Sinking Fund	(September 1)	Amount	Rate	Sinking Fund
			Installment				Installment
2026	\$ 55,000			2038 ⁽ⁱ⁾⁽ⁱⁱ⁾	\$ 980,000		
2027	55,000			2039 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,035,000		
2028	65,000			2040 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,090,000		
2029	60,000			2041 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,150,000		
2030	70,000			2042 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,215,000		
2031	60,000			2043 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,285,000		
2032	65,000			2044 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,355,000		
2033 ⁽ⁱ⁾⁽ⁱⁱ⁾	70,000			2045 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,425,000		
2034 ⁽ⁱ⁾⁽ⁱⁱ⁾	75,000			2046 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,505,000		
2035 ⁽ⁱ⁾⁽ⁱⁱ⁾	75,000			2047 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,590,000		
2036 ⁽ⁱ⁾⁽ⁱⁱ⁾	80,000			2048 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,675,000		
2037 ⁽ⁱ⁾⁽ⁱⁱ⁾	80,000			2049 ⁽ⁱ⁾⁽ⁱⁱ⁾	1,770,000		

- (i) The District reserves the right to redeem, prior to maturity, those Bonds maturing on or after September 1, 2033, in whole or from time to time in part on September 1, 2032 and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.
- (ii) [Of such principal maturities set forth above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond, or no term bonds if none is indicated). For those years, which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years. The term bonds created are as follows.]

[illegible]

As part of our bid, we agree []/disagree [] to pay the premium in the amount of \$_____ for the municipal bond guaranty insurance issued by _____ and the rating agency fee(s) of _____ in the amount of \$_____.

Our calculation (which is not a part of this bid) of the interest cost from the above bid is:

Total Interest Cost.....	\$ _____
Plus: Cash Discount	\$ _____
Net Interest Cost	\$ _____
Net Effective Interest Rate	_____ %

The initial bond shall be registered in the name of Cede & Co. We will advise the office for payment of BOKF, NA, Dallas, Texas, the Paying Agent, on forms to be provided by the Paying Agent, of our registration instructions at least five (5) business days prior to the date set for initial delivery of Bonds on the closing date. We will not ask the Paying Agent to accept any registration instructions after the five (5) day period for delivery of Bonds on the closing date.

Cashier's Check No. _____, issued by _____ (name of bank) and payable to your order in the amount of \$337,700 (is attached hereto) (has been made available to you prior to the opening of this bid) as the Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions of such Official Notice of Sale, such check shall be cashed and the proceeds retained as complete liquidated damages against us in accordance with the Official Notice of Sale. We hereby represent that sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws of the states in which the Bonds are offered or sold.

The undersigned bidder and each syndicate member listed herein makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used in therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder and each syndicate member listed herein within the meaning of Securities and Exchange Commission Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder's bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Bonds created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary. The term of this Purchase Contract terminates upon the date of delivery of the Bonds or, if earlier, exercise of a termination right (which may not be based on existing or incipient breach of a verification).

The undersigned bidder and each syndicate member listed herein represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes each bidder and each syndicate member listed herein and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

The undersigned bidder and each syndicate member listed herein hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

The undersigned bidder and each syndicate member listed herein hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

No Boycott of Energy Companies. The undersigned bidder and each syndicate member listed herein hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

We agree to accept delivery of the Bonds utilizing the Book-Entry-Only System through DTC and make payment for the Initial Bond in immediately available funds in the Corporate Trust Division, BOKF, NA, Dallas, Texas not later than 11:00 AM, local time, on August 12, 2025, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale. It will be the obligation of the Initial Purchaser of the Utility Bonds to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the District, at least six (6) business days prior to the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District. To the extent that such "issue price" certificate is not adequate for inclusion in the District's federal tax certificate, the undersigned agrees to execute an issue price certificate as may be required by the District's Special Tax Counsel. The undersigned further agrees to provide in writing the initial reoffering prices and other terms, if any, to SAMCO Capital Markets, Inc. by the close of the next business day after the award.

Upon acceptance of this bid by the District, the accepted bid and Official Notice of Sale will together comprise a binding contract between the winning bidder and the District in accordance with their terms. The acceptance of the bid creates a binding contract with a term that extends until the Bonds are taken up and paid for by the bidder or any earlier termination of this contract in accordance with the terms of the Official Notice of Sale.

In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the winning bidder either: (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"), or (ii) certifies below that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

Unless the bidder certifies that it is exempt from filing a Disclosure Form with the District, upon notification of conditional verbal acceptance, the undersigned will complete an electronic Disclosure Form through the TEC electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed and sent by email to the District's financial advisor at clane@samcocapital.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

Entity Submitting Bid - Check One:

_____ Disclosure Form - Entity will provide a Disclosure Form as and when required by the Notice of Sale.

_____ Publicly Traded Entity Representation - The entity hereby represents to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

[signature page follows]

(Syndicate members, if any)

Respectfully submitted,

By: _____
Authorized Representative
Phone Number: _____

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby accepted by Bacliff Municipal Utility District this ____ day
of _____, 2025.

ATTEST:

Secretary, Board of Directors

President, Board of Directors

\$16,885,000
BACLIFF MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Galveston County, Texas)
UNLIMITED TAX BONDS, SERIES 2025

ISSUE PRICE CERTIFICATE

The undersigned, being a duly authorized representative of the underwriter or the manager of the syndicate of underwriters ("Underwriter") which has purchased the Unlimited Tax Bonds (the "Bonds"), being issued by BacLiff Municipal Utility District (the "Issuer"), hereby certifies and represents, based on its records and information, as follows:

(1) On the Sale Date, the Underwriter's reasonably expected initial offering price of each Maturity of the Bonds (the "Expected Offering Price") to the Public is set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Issue Price Certificate as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Underwriter in formulating its bid to purchase the Bonds.

(2) The Underwriter had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(3) The bid submitted by the Underwriter constituted a firm bid to purchase the Bonds.

(4) The Underwriter has made a bona fide offering of all the Bonds of each Maturity to the Public at its Expected Offering Price set forth in Schedule A.

If less than 3 qualified bids are received from underwriters please attach Schedule B.

(5) On the Sale Date, the first price at which at least 10% of each Maturity of the Bonds, except for Bonds listed on Schedule B (the "Hold-the-Offering-Price Maturities"), was sold to the Public is the respective price listed in Schedule A.

(6) As set forth in the Notice of Sale for the Bonds, the Underwriter has agreed in writing that, (i) for each of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Expected Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Bonds of the Hold-the-Offering-Price Maturities to any person at a price that is higher than the respective Expected Offering Price for that Maturity of the Bonds during the Holding Period.

(7) ***Defined Terms.***

(i) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the "Hold-the-Offering-Price Maturities."

(ii) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Expected Offering Price for such Hold-the-Offering-Price Maturity.

(iii) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(iv) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(v) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is July 8, 2025.

(vi) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(8) Please choose the appropriate statement:

() Purchaser will not purchase bond insurance for the Bonds.

() Purchaser will purchase bond insurance from _____ (the "Insurer") for a fee/premium of \$ _____ (the "Fee"). To the best of the undersigned's knowledge, information and belief, based upon the facts available at this time and current market conditions, the Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

The undersigned understands that the foregoing information will be relied upon by Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP as Special Tax Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

[Initial Purchaser]

By: _____

Name: _____

Dated: _____, 2025

SCHEDULE A
PRICING WIRE
(Attached)

(this page intentionally left blank)

SCHEDULE B
HOLD-THE-OFFERING-PRICE MATURITIES
(Attached)

(this page intentionally left blank)

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 25, 2025

NEW ISSUE BOOK-ENTRY-ONLY

**Rating: S&P “A-”
See “MUNICIPAL BOND RATINGS” and
“BOND INSURANCE” herein**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Special Tax Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel observes, however, that interest on the Bonds is a specific preference item for purposes of the federal individual alternative minimum tax and interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

**THE DISTRICT WILL NOT DESIGNATE THE BONDS AS
"QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.**

**\$16,885,000
BACLIFF MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas located within Galveston County)
UNLIMITED TAX BONDS, SERIES 2025**

Dated: July 15, 2025

Due: September 1, as shown below

Interest on the herein described bonds (the “Bonds”) will accrue from date of delivery and is payable on March 1 and September 1 of each year, commencing March 1, 2026 (each an “Interest Payment Date”), until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. See "BOOK-ENTRY ONLY SYSTEM." So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar/Registrar for the Bonds is BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). The Bonds are obligations solely of Bacliff Municipal Utility District (the “District”) and are not obligations of the State of Texas, Galveston County, the City of League City, The City of Texas City, or any entity other than the District.

MATURITY SCHEDULE

See Schedule on page 2

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation to rate or amount, levied against taxable property within the District. See "THE BONDS - Source of Payment." THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. Bond purchasers are encouraged to read this entire Official Statement prior to making an investment decision, including particularly the section titled “INVESTMENT CONSIDERATIONS.”

The District has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Bonds insured by a municipal bond insurance policy. See "MUNICIPAL BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.

The Bonds are offered for delivery when, as and if issued and received by the Underwriter (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinions of Baker Williams Matthiesen LLP, Houston, Texas, and, Stephen H. DonCarlos PLLC as Co-Bond Counsel, and Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Special Tax Counsel. Certain legal matter will be passed upon for the District by Johnson Petrov LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through DTC on or about August 12, 2025 (the “Date of Delivery”).

BIDS DUE July 8, 2025, 9:30 AM C.S.T.

MATURITIES
(Due September 1)

CUSIP Prefix: 056390(d)

<u>Principal Amount (a)</u>	<u>Interest Rate (b)</u>	<u>Due</u>	<u>Initial Reoffering Yield (c)</u>	<u>CUSIP SUFFIX (d)</u>	<u>Principal Amount (a)</u>	<u>Interest Rate (b)</u>	<u>Due</u>	<u>Initial Reoffering Yield (c)</u>	<u>CUSIP SUFFIX (d)</u>
\$55,000		2026			\$980,000		2038*		
55,000		2027			1,035,000		2039*		
65,000		2028			1,090,000		2040*		
60,000		2029			1,150,000		2041*		
70,000		2030			1,215,000		2042*		
60,000		2031			1,285,000		2043*		
65,000		2032*			1,355,000		2044*		
70,000		2033*			1,425,000		2045*		
75,000		2034*			1,505,000		2046*		
75,000		2035*			1,590,000		2047*		
80,000		2036*			1,675,000		2048*		
80,000		2037*			1,770,000		2049*		

- * The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2033, in whole or from time to time in part, on September 1, 2032, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. In the event any of the Bonds are structured as "term" Bonds at the option of the Initial Purchaser (as defined herein), such term Bond will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Order (as defined herein), which provisions will be included in the final Official Statement. See "THE BONDS - Redemption Provisions".
- (a) The Initial Purchaser may elect to designate one or more term Bonds. See accompanying Official Notice of Sale and Official Bid Form.
- (b) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of _____% of par resulting in a net effective interest rate to the District of _____%.
- (c) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first call date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser.
- (d) CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. None of the Initial Purchaser, the District nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

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For purposes of compliance with Rule 15c2-12 of the United States Security and Exchange Commission (the "Rule"), this document constitutes a Preliminary Official Statement of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for omission of the information permitted by the Rule.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the 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 SAMCO Capital Markets, Inc. for further information.

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 the 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, other matters described in the "Official Statement" until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period."

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, the Rule.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of _____ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page 2 of this Official Statement at a price of _____% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the sole responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, 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 utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration 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.

Municipal Bond Ratings and Insurance

Application has been made to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") for an underlying rating on the Bonds, and S&P has assigned an underlying rating of "A-" to the Bonds. The District has also made application to two bond insurance companies for a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds. **The premium for such insurance and any associated rating fees will be paid by the Initial Purchaser at such Initial Purchaser's option and expense.**

An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT

The Issuer The District is a political subdivision of the State of Texas created by an Act of the 58th Legislature of the State of Texas, Regular Session, 1963 (compiled as Article 8280-286, Vernon's Texas Civil Statutes) and operates under the provisions of Chapters 49 and 51 of the Texas Water Code, as amended. The District contains approximately 1,215 acres of land and is in process of annexing approximately 10 additional acres. See "THE DISTRICT."

Location The District is located approximately 12 miles northwest of Texas City, Texas and 38 miles southeast of Houston, Texas at the intersection of FM 646 and State Highway 146. Portions of the District are within the extraterritorial jurisdictions of the City of League City and the City of Texas City and within the corporate boundaries of the City of Texas City. Pursuant to the provisions of Chapter 43 of the Texas Local Government Code, Texas City has the right to annex land located in Texas City's extraterritorial jurisdiction. On November 7, 2018, Texas City annexed three tracts of land within the District totaling approximately 22.5 acres. The Service Plan adopted in connection with the annexation provides that Texas City will provide the annexed land with certain statutory services, including police protection, fire protection, emergency medical service, solid waste collection, and maintenance of roads, drainage and street lighting. Texas City did not annex the entire District, dissolve the District, or assume any of the District's current or future bonds. The District is within the boundaries of Dickinson Independent School District. See "THE DISTRICT".

Status of Development Development of the District began in the 1960's. Water, sewer and drainage facilities are available to serve all of land in the District. As of January 1, 2024, 3,495 homes were completed.

The District has approximately one mile of property fronting along Galveston Bay. Development along the Bay has been and currently is high-end, well-kept home sites many of which are weekend/vacation homes. Moving toward the interior of the District, the homes reduce in quality, size and value and include numerous mobile homes and permanent recreation vehicles. There is no zoning in the District, and therefore, there is no pattern to development of home sites in type, value or maintenance. Of the homes which currently have been designated as homesteads, the average market value as shown on the 2024 tax roll of the District prepared by the Galveston Central Appraisal District is approximately \$196,546.

Commercial development in the District includes McDonalds, Jack in the Box, Dollar General, Family Dollar, O'Reilly Auto Parts, Amegy Bank, Palace Inn, a mini-warehouse facility, Valero, Conoco and Exxon gas stations with convenience stores, and various other retail and service establishments. Industrial development in the District includes Industrial Specialist LLC, a provider of industrial services to the downstream energy infrastructure market. See "TAX DATA—Principal Taxpayers." Fire protection is provided by the Bacliff Volunteer Fire Department and emergency medical services are provided by Galveston County Emergency Medical Service. Also, K.E. Little Elementary School is located in the District. See "THE DISTRICT."

THE BONDS

Description	The Bonds, in the aggregate principal amount of \$16,885,000, mature annually in varying amounts on September 1 of each year from 2026 through 2049. Interest accrues from the date of delivery at the rates per annum set forth on page 2 hereof and is payable on March 1 and September 1 of each year, commencing March 1, 2026, until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS – General Description."
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, the initial paying agent/registrar to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM".
Redemption.....	Bonds maturing on and after September 1, 2033 are subject to optional redemption, in whole or from time to time in part, at the option of the District on September 1, 2032, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. In the event any of the Bonds are structured as "term" Bonds at the option of the Initial Purchaser (as defined herein), such term Bond will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Order (as defined herein), which provisions will be included in the final Official Statement. See "THE BONDS – Redemption Provisions".
Use of Proceeds	The proceeds of the Bonds will be used to finance or acquire (i) the construction of new tertiary filters at the wastewater treatment plant; (ii) upgradation of the existing ultra-violet (UV) disinfection system at the WWTP; (iii) replacement of the existing digester at the WWTP; (iv) replacement of the maintenance building at the WWTP; (v) relocation of the existing lift station, waterline, and force main along SH 646; and (vi) purchase the site for the relocated lift station; (vii) to finance certain engineering and legal costs. In addition, Bond proceeds will be used to capitalize approximately two years of interest on the Bonds and to pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Payment Record.....	The District has previously sold \$25,350,000 principal amount in eight series, \$8,935,000 of which remain outstanding as of June 1, 2025 (the "Outstanding Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT — OUTSTANDING DEBT." The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Galveston County, the City of League City, the City of Texas City, or any entity other than the District. See "THE BONDS - Source of Payment."
Authority for Issuance	The Bonds are issued pursuant to the Bond Order, the Texas Constitution, Chapter 1207 of the Texas Government Code, as amended, and the general laws of the State of Texas. See "THE BONDS - Authority for Issuance."

Bonds Authorized But

Unissued

The Bonds are the first installment of \$25,000,000 in bonds authorized at an election held within the District on May 4, 2024 (the “Bond Election”) for the purpose or purposes of purchasing, constructing, acquiring, owning, leasing, operating, repairing, improving or extending a waterworks system, a sanitary sewer system, a drainage and storm sewer system and solid waste disposal system for the District. After the sale of the Bonds, \$8,115,000 in bonds from the Bond Election will remain authorized. Following the issuance of the Bonds, the District will have \$8,821,000 of unlimited tax bonds authorized but unissued.

Municipal Bond Ratings

and Insurance

Application has been made to S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”) for an underlying rating on the Bonds, and S&P has assigned an underlying rating of “A-” to the Bonds. The District has also made application to two bond insurance companies for a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds. The premium for such insurance and any associated rating fees will be paid by the Initial Purchaser at such Initial Purchaser’s option and expense. An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Qualified Tax-Exempt

Obligations

The Bond will NOT be designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions.”

Co-Bond Counsel

Baker Williams Matthiesen LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”

Co-Bond Counsel

Stephen H. DonCarlos PLLC. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”

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Johnson Petrov LLP, Houston, Texas.

Special Tax Counsel

Orrick, Herrington & Sutcliffe LLP, Houston, Texas. See "TAX MATTERS".

General Counsel

Stephen H. DonCarlos PLLC.

Financial Advisor

SAMCO Capital Markets, Inc., Austin, Texas.

District Engineer

Freese & Nichols, Inc.

INVESTMENT CONSIDERATIONS

THE PURCHASE AND OWNERSHIP OF THE BONDS INVOLVE CERTAIN INVESTMENT CONSIDERATIONS, AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS," WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS AND OTHER FACTORS DESCRIBED THEREIN.

SELECTED FINANCIAL INFORMATION
(Unaudited)

2024 Assessed Valuation (100% of estimated market value).....	\$602,752,301	(a)
Gross Debt Outstanding (after issuance of the Bonds).....	\$25,820,000	(b)
Ratio of Gross Debt to 2024 Assessed Valuation as of April 27, 2025	4.28%	
2024 Tax Rate		
Debt Service	\$0.2278	
Maintenance & Operations	\$0.0000	
Total	\$0.2278	
Interest and Sinking Fund Balance (As of May 31, 2025).....	\$1,439,126	(c)
Average percentage of current tax collections - Tax Years 2019/2024	95.49%	
Average percentage of total tax collections - Tax Years 2019/2024	97.66%	
Projected Average Annual Debt Service Requirement (2026/2045) ("Projected Average Requirement")	\$1,867,332	
Tax rate required to pay Projected Average Requirement based upon 2024 Assessed Valuation at 95% collections	\$0.33/\$100 A.V.	
Projected Maximum Annual Debt Service Requirement (2033) ("Projected Maximum Requirement")	\$1,914,288	
Tax rate required to pay Projected Maximum Requirement based upon 2024 Assessed Valuation at 95% collections	\$0.34/\$100 A.V.	
Number of active single-family connections as of June 2025	3,126	
Number of active multi-family connections as of June 2025	170	
Number of active commercial connections as of June 2025	183	
Estimated population as of June 2025	11,281	(d)

- (a) 2024 Certified Taxable Assessed Value within the District as provided by the Galveston County Appraisal District ("CAD"). See "TAXING PROCEDURES."
- (b) Includes the Bonds. Preliminary, subject to change. See "FINANCIAL STATEMENT – Outstanding Bonds."
- (c) Unaudited. As of May 31, 2025. Included in the sale of Bonds is approximately twenty-four months of capitalized interest cost estimated at 5.50% of the principal amount of the Bonds (est. \$1,857,350) which will be deposited to the Interest and Sinking Fund (as defined herein) upon closing. Neither Texas Law nor the Bond Order requires that the District maintain any particular sum in the Interest and Sinking Fund.
- (d) Based on 3.5 residents per completed single-family connection, and 2 resident per multi-family connection.

OFFICIAL STATEMENT

relating to

\$16,885,000

**Bacliff Municipal Utility District
(A Political Subdivision of the State of Texas Located in Galveston County, Texas)
Unlimited Tax Bonds, Series 2025**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Bacliff Municipal Utility District (the "District") of its \$16,885,000 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to the constitution and laws of the State of Texas, particularly Chapters 49 and 51 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, and an order (the "Bond Order") adopted by the Board of Directors of the District (the "Board").

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and 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 Baker Williams Matthiesen LLP, Bond Counsel, 5005 Woodway Drive, Suite 201, Houston, Texas 77056, upon payment of duplication costs.

THE BONDS

General Description

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

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

Authority for Issuance

By adoption of an order dated May 23, 2025 (the “TCEQ Order”), the TCEQ authorized the District to sell the Bonds subject to certain restrictions, including restrictions on the use of Bond proceeds as summarized in “USE AND DISTRIBUTION OF BOND PROCEEDS”.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 51 of the Texas Water Code, as amended; and Chapter 1207 of the Texas Government Code, as amended. Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters.

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

Redemption Provisions

Optional Redemption... The Bonds maturing on and after September 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2032, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the Board. If less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot or such random method as Paying Agent/Registrar shall deem fair and appropriate (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Mandatory Sinking Fund Redemption... The Initial Purchaser may designate certain maturities of the Bonds as term bonds which would be subject to mandatory redemption.

Notice of Redemption; Effect of Redemption... Notice of any redemption identifying the Bonds to be redeemed in whole or in part will be given by the Paying Agent/Registrar at least 30 days prior to the date fixed for redemption by sending written notice by first class mail or overnight delivery to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices will state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the outstanding bonds of a particular series are to be redeemed, the numbers of the Bonds of such series or the portions thereof to be redeemed. Neither the failure to give such notice nor defect therein will affect the sufficiency of the notice given to the Owner. By the date fixed for redemption, due provision must 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 provided in the Bond Order, the Bonds or portions thereof so redeemed will 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 Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption will terminate on the date fixed for redemption.

Conditional Notice of Redemption... Notwithstanding anything in the Bond Order to the contrary, the District may make any notice of redemption conditional on the occurrence of a condition precedent. In the event that the District chooses to provide a conditional notice of redemption, the District must include in the notice of redemption that the redemption is conditioned upon the occurrence of a condition precedent. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded will remain outstanding and the rescission of such redemption will not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make money or authorized securities available in part or in whole on or before the redemption date will not constitute an event of default.

Termination of Book-Entry-Only System

The Bonds are subject to the book-entry-only system administered by DTC. See “BOOK-ENTRY-ONLY SYSTEM.” In the event that the book-entry-only system is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment... Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent/Registrar upon presentation and surrender of the Bonds to the Paying Agent/Registrar at the designated office for payment of the Paying Agent/Registrar in Dallas, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check, dated as of the applicable Interest Payment Date, sent by the Paying Agent/Registrar by United States mail to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent/Registrar requested by a registered owner at the risk and expense of such registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the State of Texas or the city where the Paying Agent/Registrar is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding business day and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

Registration... If the book-entry-only system is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may be, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent/Registrar. Transfer and exchange for Bonds will be without expense or service charged to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent/Registrar to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent/Registrar or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denominations of \$5,000 or any integral multiple thereof.

Limitation on Transfer of Bonds... Neither the District nor the Paying Agent/Registrar shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the 15th calendar day of the month preceding each Interest Payment Date (the "Record Date") and ending with the opening of business on the next following principal or Interest Payment Date, or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds... If a Bond is mutilated, the Paying Agent/Registrar will provide a replacement Bond in exchange for the mutilated Bond. If a Bond is destroyed, lost or stolen, the Paying Agent/Registrar will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership, and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Source of Payment

The Bonds and any bonds subsequently issued by the District and payable from taxes, are secured by and payable from the proceeds of a continuing, direct annual ad valorem tax, each, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "TAXING PROCEDURES." The Bonds are obligations of the District and are not the obligations of the State of Texas; Galveston County, Texas; the City of League City; the City of Texas City; or any other political subdivision or any entity other than the District.

Perfected Security Interest

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the taxes granted by the District under the Bond Order, and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are Outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the District under the Bond Order is to be subject to the filing requirements of

Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the District has agreed in the Bond Order to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

Payment Record

The District has previously sold \$25,350,000 principal amount in eight series, \$8,935,000 of which remain outstanding as of June 1, 2025 (the "Outstanding Bonds"). See "FINANCIAL INFORMATION CONCERNING THE DISTRICT — OUTSTANDING DEBT." The District has never defaulted in the payment of principal and interest on the Outstanding Bonds.

Funds

Interest and Sinking Fund... The Bond Order establishes the District's Debt Service Fund (the "Interest and Sinking Fund"). The net proceeds of all ad valorem taxes levied and collected for and on account of the Bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. An amount equal to approximately 24 months' interest on the Bonds will also be deposited from proceeds from sale of the Bonds into the Interest and Sinking Fund. The Interest and Sinking Fund, which constitutes a trust fund for the benefit of the registered owners and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Interest and Sinking Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable from taxes.

Project Fund... The Bond Order establishes the District's Construction Fund (the "Project Fund"). After the initial deposit to the Interest and Sinking Fund, and payment of issuance costs, proceeds of the sale of the bonds will be deposited into the Project Fund. Any monies remaining in the Project Fund after completion of construction of the facilities financed with the Bonds will be transferred to the Interest and Sinking Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds and the projects related thereto.

All interest, income and increment accruing to the District as a result of the temporary investment of the proceeds of the sale of the Bonds shall be placed in the District's Operating Account.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar by the District. 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, an association or 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, authorized by law to serve as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

The District intends to issue additional bonds from its voted authorization necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." The District's voters have authorized the issuance of \$25,706,000 of unlimited tax bonds and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$8,821,000 of unlimited tax bonds authorized but unissued.

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

Issuance of bonds for fire-fighting facilities, parks and recreational facilities and roads could dilute the investment security for the Bonds. 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.

The Bond Order imposes no limitation on the amount of additional general obligation bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

Annexation

Chapter 42, Texas Local Government Code, provides that, within the limits described therein, the unincorporated area contiguous to the corporate limits of any city comprises that city's extraterritorial jurisdiction. The size of extraterritorial jurisdiction depends in part on the city's population. With certain exceptions, a city may annex territory only within the confines of its extraterritorial jurisdiction. When a city annexes additional territory, the city's extraterritorial jurisdiction expands in conformity with such annexation. Under existing Texas law, since the District lies within the extraterritorial jurisdictions of the cities of Texas City and League City, the portions of the District which lie within the extraterritorial jurisdiction of each city may be annexed, in whole or in part, by each respective city. In the event that an annexation and/or incorporation results in all of the territory within the District being contained within the corporate limits of one or more cities, under existing law the District could be dissolved only if the provisions of Section 43 of the Texas Local Government Code are satisfied. Such provisions require, among other things, that dissolution must be accompanied by an agreement among the District and all the cities in which the District then lies, which agreement may specify any agreed method of allocation of assets and liabilities and may require that the annexing cities hold an election in the District whereby the voters of the District approve the annexation. No representation is made that League City 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. The City of Texas City has annexed a portion of the District, see below for a description of the area annexed.

Although the Texas Local Government Code generally provides that a city may not annex territory within the boundaries of a water district unless it annexes the entire district, because the District lies in two cities' jurisdictions, neither city may annex the entire District and dissolve the District. Annexation of territory by the cities is a policy-making matter within the discretion of the governing bodies of the cities, and therefore, the District makes no representation that either the City of Texas City or the City of League City will annex that portion of the District within its extraterritorial jurisdiction and assume its debt or that the cities and the District would dissolve the District, nor does the District make any representation concerning the ability of the cities to pay debt service on the District's bonds if annexation and dissolution were to occur.

Annexation by Texas City

Portions of the District lie within the extraterritorial jurisdiction of the Texas City. Pursuant to the provisions of Chapter 43 of the Texas Local Government Code, Texas City has the right to annex land located in Texas City's extraterritorial jurisdiction. On November 7, 2018, Texas City annexed three tracts of land within the District totaling approximately 24.5 acres. The Service Plan adopted in connection with the annexation provides that Texas City will provide the annexed land with certain statutory services, including police protection, fire protection, emergency medical service, solid waste collection, and maintenance of roads, drainage and street lighting. Texas City did not annex the entire District, dissolve the District, or assume any of the District's current or future bonds.

Consolidation

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

Strategic Partnership

Under Chapter 43 of the Texas Water Code the District may enter into a strategic partnership agreement with the cities of Texas City and League City (the "Cities") wherein the District agrees to limited annexation by the Cities of the District for specific purposes. Such an agreement could include the imposition of certain sales and use taxes by the Cities on designated property within the District, the allocation of such revenue between the Cities and the District, and the provision of certain services by the Cities. The agreement may provide that a city is prohibited from a total

annexation and dissolution of the District during the term of the Agreement. The District has not entered into any discussions with either of the Cities regarding such an agreement and no representation can be made regarding the likelihood of the District and the Cities entering into such an agreement in the future.

Remedies in Event of Default

Other than a writ of mandamus and other relief authorized by law, the Bond Order does not expressly provide a specific remedy for a default. Based on recent Texas court decisions, it is unclear whether certain legislation effectively waives governmental immunity of governmental entities for suits for money damages. Even if a registered owner could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a registered owner could petition for a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. See "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies" and – "Bankruptcy Limitation to Registered Owners' Rights."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

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

refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption.

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.

Amendment to Bond Order

The Bond Order contains provisions to the effect that the District may, without the consent of or notice to any registered owners of the Bonds amend, change or modify the Bond Order as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change which is not to the prejudice of the registered owners of the Bonds. Except for such amendments, changes or modifications, the District shall not amend, change or modify the Bond Order in any manner without the consent of the majority of the registered owners in aggregate principal amount of the outstanding bonds, affected thereby; provided that without the consent of all of the registered owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds or reduce the principal amount thereof or the rate of interest thereon; (ii) give any preference to any Bond over any other Bond; (iii) extend any waiver of default to subsequent defaults; or (iv) reduce the aggregate principal amount of Bonds required for consent to any such amendment, change, modification, or rescission.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

BOOK-ENTRY-ONLY SYSTEM

The Bonds will be available only in book-entry form. Consequently, purchasers of ownership interests in the Bonds will not receive certificates representing their respective interests in the Bonds. This section describes how ownership of the Bonds is to be transferred and how the payments of principal of and interest on the Bonds are to be paid to and accredited by Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Underwriters and the District believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission ("SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a

“clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 Standard & Poor’s rating 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 Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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).

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

requirements as may be in effect from time to time. Payment of principal, interest payments, premium, if any, and redemption proceeds, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or 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 as set forth in the Bond Order. 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 the District takes no responsibility for the accuracy thereof.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to (i) finance certain water and wastewater facilities and related facilities or service capacity rights, (ii) land acquisition for lift station, and (iii) associated engineering and legal fees. In addition, proceeds of the Bonds will be used to capitalize approximately two years of interest on the Bonds and to pay certain costs associated with the issuance of the Bonds.

The presently estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$13,631,499 is estimated to be required for construction costs, and \$3,253,501 is estimated to be required for non-construction costs.

CONSTRUCTION COSTS:

A. Developer Contribution Items

Amount

1. None

B. District Items

1. Construction of new tertiary filters at the WWTP	\$ 1,882,301
2. Upgradation of the existing UV disinfection system at the WWTP	1,194,662
3. Replacement of the existing digesters at the WWTP	4,306,730
4. Replacement of the maintenance building at the WWTP	616,667
5. Relocation of existing lift station, waterline, and force main along SH 646	725,000
6. ½ Acre Land Acquisition Cost Estimate – Lift Station Relocation	20,000
7. Engineering (34.3% of Items 1-5)	2,994,827
8. Contingencies (21.7% of Items 1-5)	<u>1,891,312</u>
Total District Contribution Items	\$13,631,499

TOTAL CONSTRUCTION COSTS (80.73 % OF BIR)

\$13,631,499

NON-CONSTRUCTION COSTS:

Amount

A. Legal Fees (2.50%)	\$ 422,125
B. Fiscal Agent Fees (2.00%)	337,700
C. Interest Cost	
1. Capitalized Interest (24 months at 5.50%)	1,857,350
D. Bond Discount (3%)	506,550
E. Bond Issuance Expenses	40,063
H. Bond Application Report Costs	38,000
I. Attorney General's Fee (0.10% with max \$9,500)	9,500
J. TCEQ Bond Issuance Fee (0.25%)	42,213

TOTAL NON-CONSTRUCTION COSTS

\$3,253,501

TOTAL BOND ISSUE REQUIREMENT

\$16,885,000

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INVESTMENT CONSIDERATIONS

General

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

Hurricanes and Subsidence

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

The greater Houston/Galveston area, including the District, is subject to occasional severe weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected. The greater Houston area has experienced four storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015 including Hurricane Harvey, which made landfall along the Texas Gulf Coast on August 25, 2017, and brought historic levels of rainfall during the successive four days. The District's water, sewer and drainage system did not sustain any material damage and there was no interruption of water and sewer service as a result of Hurricane Harvey. The drainage system is maintained by Galveston County. Galveston County has made improvements to drainage in the areas that experienced flooding during Hurricane Harvey and is continuing to do some drainage improvements within the District. Based upon a survey by the District, there were approximately 100 homes within the District that experienced structural flooding or other material damage as a result of Hurricane Harvey. FEMA replaced 10 homes that were damaged during Hurricane Harvey. The remaining flooded homes have been repaired. Approximately 6 businesses experienced flood damage and have reopened for business.

Land subsidence (a sinking of the surface of the land relative to sea level) has occurred in many areas in the Houston-Galveston area, including the District, and any future subsidence could increase flooding risks. These factors could cause property values in the District to fall and could adversely affect the District's ability to collect taxes to pay interest and principal on the Bonds.

Specific Types of Flood Risks

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

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

Maximum 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 2024 Taxable Assessed Value is \$602,752,301. After issuance of the Bonds, the maximum annual debt service requirement will be \$1,914,288 (2026), and the average annual debt service requirement will be \$1,867,332 (2026-2049, inclusive). Assuming no increase or decrease from the 2024 Taxable Assessed Value, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.34 and \$0.33, respectively per \$100 of appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay both the maximum annual debt service requirement and the average annual debt service requirements. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT— DEBT SERVICE REQUIREMENTS."

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

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest 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. On June 30, 2006, the Texas Supreme Court (the "Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued" or "plead and be impleaded", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. It is unclear whether Section 49.066 Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for monetary damage. Even if such a judgement 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 in order 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 laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. 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 U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. 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 (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. 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, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners 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 a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") and the Resolution Trust Corporation ("RTC") when the FDIC/RTC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC/RTC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC/RTC shall be subject to foreclosure or sale without the consent of the FDIC/RTC and no involuntary liens shall attach to such property, (ii) the FDIC or RTC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC/RTC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC/RTC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC/RTC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC/RTC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC/RTC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC/RTC in the District, and may prevent the collection of penalties and interest on such taxes.

Marketability

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 for 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.

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 retroactively to the date of original issuance. See "TAX MATTERS - Tax Exemption."

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 sale of the Bonds, \$8,115,000 in bonds from the Bond Election will remain authorized. Following the issuance of the Bonds, the District will have \$8,821,000 of unlimited tax bonds authorized but unissued.. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. See "THE BONDS — ISSUANCE OF ADDITIONAL DEBT."

Approval of the Bonds

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS". In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent Owners of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Environmental Regulation

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; and
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility 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 three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) "standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, 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 ozone nonattainment area under the 1997 Ozone Standards. While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard). In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA*, 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the South Coast court's ruling, the TCEQ has developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners approved publication of a proposed HGB Area redesignation request under the 1997 Ozone Standards on September 5, 2018. The HGB Area is currently designated as a "moderate" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2018. 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 "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. 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. 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), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It 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.

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 also 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 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019 but the repeal itself has become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states' primary authority over land and water resources. The new definition outlines four categories of waters that are considered "waters of the United States," and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not "waters of the United States," and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain

stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR is effective June 22, 2020, and is currently the subject of ongoing litigation.

Due to existing and possible future litigation, there remains uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Potential Impact of Natural Disaster

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rates.

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

MUNICIPAL BOND INSURANCE

The District has submitted applications with certain municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost will be paid by the Initial Purchaser. The fees associated with any rating will be paid by the Initial Purchaser. The final Official Statement shall disclose information provided by the insurer relating to any such financial guaranty insurance policy.

BOND INSURANCE RISK FACTORS

Bond Insurance Risk Factors

If municipal bond insurance is purchased for the Bonds, in the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim against the insurer (the "Insurer") of the municipal bond guaranty insurance policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Remedies in Event of Default"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bondholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the District. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the long-term ratings on the Bonds will be dependent in part on the financial strength of the Insurer and its claims-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 can be given that the long-term ratings of the Insurer and of the ratings on the Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds.

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor or the Initial Purchaser has made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

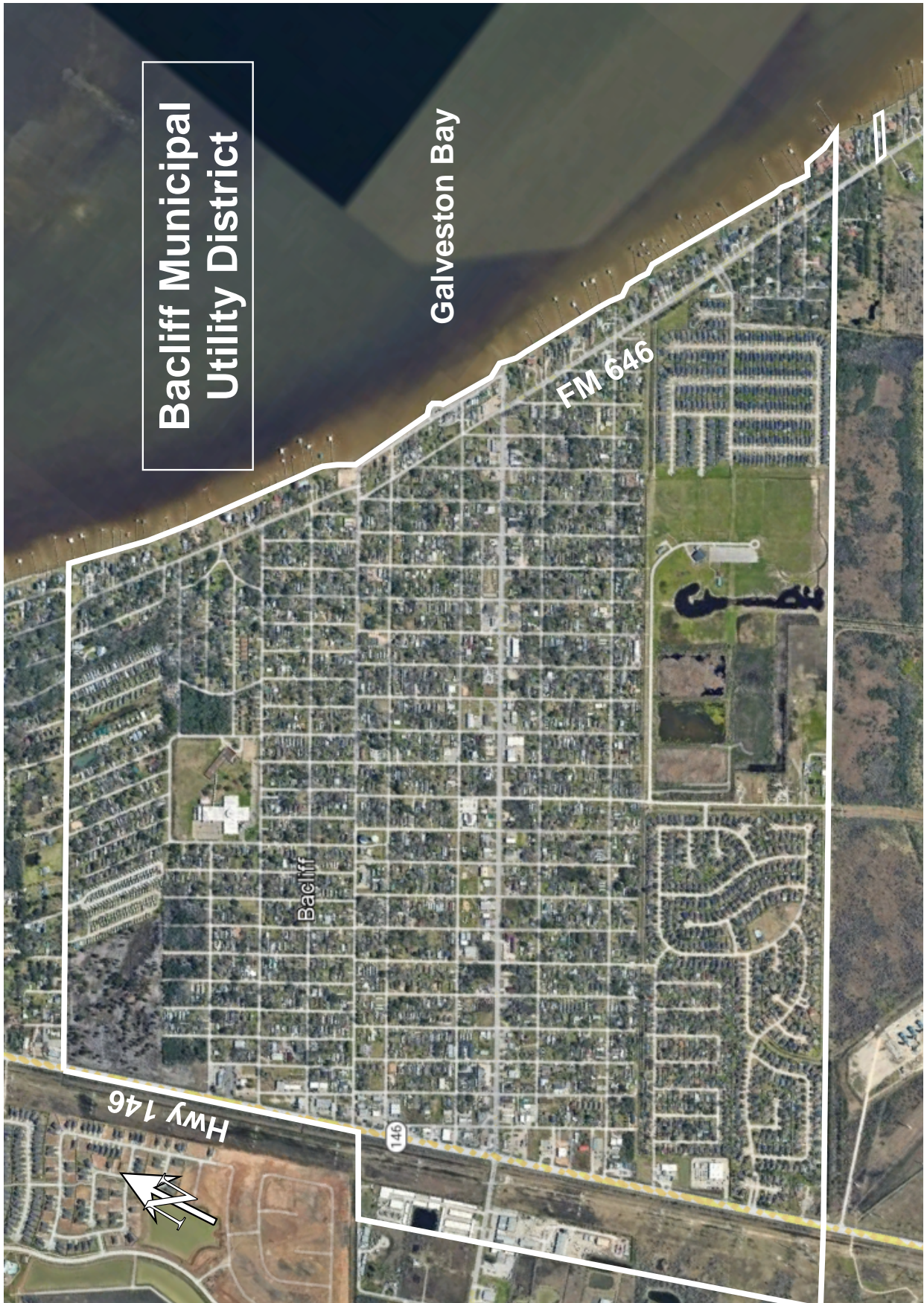
S&P has assigned an underlying rating of "A-" to the Bonds. There is no assurance that such ratings will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

Claims-Paying Ability And Financial Strength Of Municipal Bond Insurers

Moody's Investors Service, Inc., S&P Global Ratings, a division of S&P Global Inc. and Fitch Ratings (the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

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DISTRICT MAP



THE DISTRICT

General

The District is a political subdivision of the State of Texas created by an Act of the 58th Legislature of the State of Texas, Regular Session, 1963 (compiled as Article 8280-286, Vernon's Texas Civil Statutes). The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 51 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreation facilities, including the issuance of bonds payable from taxes for such purposes. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance roads.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District obtains necessary consents, if any, from the City of League City and the City of Texas City for the issuance of bonds and construction of improvements. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM — REGULATION."

Location

The District contains approximately 1,215 acres of land and is in process of annexing approximately 10 additional acres. The District is located approximately 12 miles northwest of Texas City, Texas and 38 miles southeast of Houston, Texas at the intersection of FM 646 and State Highway 146. Portions of the District are within the extraterritorial jurisdictions of the City of League City and the City of Texas City and within the corporate boundaries of the City of Texas City. Pursuant to the provisions of Chapter 43 of the Texas Local Government Code, Texas City has the right to annex land located in Texas City's extraterritorial jurisdiction. On November 7, 2018, Texas City annexed three tracts of land within the District totaling approximately 24.5 acres. The Service Plan adopted in connection with the annexation provides that Texas City will provide the annexed land with certain statutory services, including police protection, fire protection, emergency medical service, solid waste collection, and maintenance of roads, drainage and street lighting. Texas City did not annex the entire District, dissolve the District, or assume any of the District's current or future bonds. The District is within the boundaries of Dickinson Independent School District.

Status of Development

Development of the District began in the 1960's. Water, sewer and drainage facilities are available to serve all of land in the District. As of January 1, 2024, 3,495 homes were completed.

The District has approximately one mile of property fronting along Galveston Bay. Development along the Bay has been and currently is high-end, well-kept home sites many of which are weekend/vacation homes. Moving toward the interior of the District, the homes reduce in quality, size and value and include numerous mobile homes and permanent recreation vehicles. There is no zoning in the District, and therefore, there is no pattern to development of home sites in type, value or maintenance. Of the homes which currently have been designated as homesteads, the average market value as shown on the 2024 tax roll of the District prepared by the Galveston Central Appraisal District is approximately \$196,546.

Commercial development in the District includes McDonalds, Jack in the Box, Dollar General, Family Dollar, O'Reilly Auto Parts, Amegy Bank, Palace Inn, a mini-warehouse facility, Valero, Conoco and Exxon gas stations with convenience stores, and various other retail and service establishments. Industrial development in the District includes Industrial Specialist LLC, a provider of industrial services to the downstream energy infrastructure market. See "TAX DATA — PRINCIPAL TAXPAYERS." Fire protection is provided by the Bacliff Volunteer Fire Department and emergency medical services are provided by Galveston County Emergency Medical Service. K.E. Little Elementary School is located in the District.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held in May in even numbered years only. All of the Board members reside within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires May</u>
Brad Bingham	President	33 years	2028
Victor Medina	Vice President	13 years	2028
Tony Poynor	Director	9 years	2026
Don Rodgers	Director	11 years	2026
Larry Burchfield	Director	10 months	2026

District Management

The District provides its own utility system management, operating and bookkeeping services. The District employs the following individuals in the following executive capacities.

General Superintendent: James Wistinghausen

Office Manager: Kim Jones

Water and Field Supervisor: Mike Morgan

In addition, the District employs three licensed operators and two field service personnel.

Consultants

The District has also contracted for tax assessing and collecting, auditing, engineering, financial advisory and legal services as follows:

Co-Bond Counsel: The District has engaged Baker Williams Matthiesen LLP, Houston, Texas, and Stephen H. DonCarlos PLLC, Baytown, Texas, as Co-Bond Counsel to the District in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Co-Bond Counsel are contingent upon the sale and delivery of the Bonds.

Disclosure Counsel: The District has engaged Johnson Petrov LLP, Houston, Texas, as Disclosure Counsel to the District in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds.

General Counsel: The District has engaged Stephen H. DonCarlos PLLC, Baytown, Texas, as general counsel to the District on matters other than the issuance of bonds. The fees of the attorneys in their capacity as General Counsel are based on time charges actually incurred.

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

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit is filed with the TCEQ. The District's financial statements for the year ended December 31, 2024, were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "APPENDIX A" for a copy of the District's December 31, 2024, financial statements.

Engineer: The District's engineer is Freese and Nichols, Inc.

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

Tax Assessor/Collector: Land and improvements in the District are appraised for ad valorem taxation purposes by the Galveston Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District to collect the District's taxes. Ms. Cheryl Johnson of the Galveston County Tax Office is currently serving in this capacity for the District.

THE SYSTEM

Regulation

Construction and operation of the District's water, wastewater and storm drainage system as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the District. Discharge of treated sewage into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the Galveston County Drainage District No. 1. Galveston County, the City of League City, the City of Texas City, and the Texas Department of Health also exercise regulatory jurisdiction over the District's system.

Water Supply

The District and the Gulf Coast Water Authority ("GCWA") are parties to a Water Supply Contract pursuant to which GCWA agrees to supply the District up to a maximum capacity of 1.19 million gallons per day ("mgd") of treated surface water, which is the primary source of water for the District. The District pumps the surface water into its distribution system from its water plant located within the District. The District's water plant contains 654 gallons per minute ("gpm") well, which is used as a stand-by and emergency water supply, one million gallons ground storage tank capacity, 750,000 gallons elevated storage tank capacity, and 2,100 gpm booster pump capacity. According to the Engineer, the existing water facilities are adequate to provide capacity to serve the District's existing connections. The District also has an emergency interconnect with Bayview Municipal Utility District.

Wastewater Treatment

Wastewater treatment service is provided to the residents within the District by a 1,240,000 gallons per day ("gpd") wastewater treatment plant owned and operated by the District. The capacity in the plant is sufficient to serve 4,133 equivalent single family connections. As of January 1, 2024, the District was serving approximately 3,495 equivalent single family connections.

100-Year Flood Plain

According to Federal Emergency Management Agency Flood Insurance Rate Map (Panel No.485470 0035C, dated May 2, 1983), property within the District that is directly adjacent to Galveston Bay (approximately 13 acres) is within the 100-year flood plain. The District has not verified that the homes and improvements on this property have been constructed at or above the minimum slab and elevation requirements. The construction of houses and other improvements at or above the minimum slab and elevation requirements does not assure that such structures will not flood under catastrophic events such as major hurricanes. See "INVESTMENT CONSIDERATIONS — HURRICANES AND SUBSIDENCE."

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GENERAL FUND OPERATING HISTORY

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ending December 31, 2021 through December 31, 2024. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further information.

		Fiscal Year End			
	<u>5/31/2025(a)</u>	<u>12/31/2024</u>	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
<u>REVENUES</u>					
Water Service	867,590	1,349,180	1,389,659	1,266,503	1,180,885
Wastewater Service	769,372	1,146,228	1,188,260	1,129,814	1,111,788
Solid Waste Disposal	-0-	798,955	734,846	712,331	675,996
Street Lighting (b)	1,265	72,154	71,470	71,110	76,352
Penalty and Interest	384	68,532	66,153	64,957	60,104
Connection, Inspection and Service Fees	108,100	265,417	175,189	200,550	113,493
Investment and Misc Revenues	<u>17,938</u>	<u>115,586</u>	<u>235,217</u>	<u>145,244</u>	<u>105,678</u>
TOTAL REVENUES	\$1,764,648	\$3,816,052	\$3,860,794	\$3,590,509	\$3,324,296
<u>EXPENDITURES</u>					
Personnel	337,566	922,418	933,953	989,218	1,108,642
Professional Fees	98,885	95,137	185,037	68,847	41,498
Solid Waste Disposal	346,131	786,417	718,119	695,728	658,626
Purchased Water Service	211,623	450,862	493,751	399,137	383,652
Utilities	124,874	200,171	206,210	187,209	164,676
Repairs and Maintenance	269,325	600,667	750,274	451,135	398,713
Street Lighting	30,657	72,313	60,849	60,393	58,688
Other (c)	271,292	403,799	363,817	425,864	400,247
Capital Outlay	<u>-0-</u>	<u>598,986</u>	<u>119,556</u>	<u>129,539</u>	<u>-0-</u>
TOTAL EXPENDITURES	\$1,690,352	\$4,130,770	\$3,831,566	\$3,407,070	\$3,214,742
EXCESS (DEFICIT) OF REV & OTHER SOURCES OVER (UNDER) EXPEND.	\$74,296	(\$314,718)	\$29,228	\$183,439	\$109,554

FUND BALANCE (DEFICIT):

Beginning of Year	\$1,914,222	\$2,228,940	\$2,199,712 (d)	\$2,063,926	\$1,954,372
End of Year	<u>\$1,988,518</u>	<u>\$1,914,222</u>	<u>\$2,228,940</u>	<u>\$2,246,365</u>	<u>\$2,063,926</u>

(a) Unaudited.

(b) The District assesses the cost of installation, operating and maintaining the street lighting as an additional charge on the monthly billings of the District's customers.

(c) "Other" expenditures consist of various administrative expenses including directors' fees, election costs, insurance, office supplies, and training and various expenses for chemicals, equipment rental, laboratory testing, permits, sludge hauling and uniforms. See "APPENDIX A."

(d) During the fiscal year ended December 31, 2023, the District evaluated, with the help of its consultants, the accuracy of the amount owed to the Baccliff Volunteer Fire Department. It was determined that the amount owed to the Baccliff Volunteer Fire Department was understated at the beginning of the fiscal year, and as a result, the beginning Net Position and General Fund fund balance amounts were decreased by \$46,653.

FINANCIAL STATEMENT
(Unaudited as of July 19, 2024)

Assessed Value

2024 Assessed Valuation (100% of estimated market value).....	\$602,752,301 (a)
Gross Debt Outstanding.....	\$25,820,000 (b)
Debt Service Fund Balance (As of May 31, 2025).....	\$1,439,126 (c)
Ratio of Gross Debt to 2024 Assessed Valuation.....	4.28%

Estimated as of June 2025 Population: 11,281 (d)

- (a) 2024 Certified Taxable Assessed Value within the District as provided by the Galveston Central Appraisal District ("CAD"). See "TAXING PROCEDURES".
- (b) After issuance of the Bonds. See "DEBT SERVICE REQUIREMENTS".
- (c) Unaudited. Included in the sale of Bonds is approximately twenty-four months of capitalized interest cost estimated at 5.50% of the principal amount of the Bonds (est. \$1,857,350) which will be deposited to the Interest and Sinking Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Interest and Sinking Fund.
- (d) Based on 3.5 residents per active single-family connection.

Unlimited Tax Bonds Authorized but Unissued

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued to Date</u>	<u>Unissued</u>
5/4/2024	Water, Sewer & Drainage	\$ 25,000,000	\$ 16,885,000 (a)	\$ 8,115,000
12/17/1983	Wastewater	\$ 1,250,000	\$ 650,000	\$ 600,000
5/17/1980	Water & Sewer	\$ 531,000	\$ 425,000	\$ 106,000
Total		\$ 26,781,000	\$ 17,960,000	\$ 8,821,000

(a) Including the Bonds. Preliminary; subject to change.

Outstanding Bonds

<u>Dated Date</u>	<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding 7/15/2025</u>
7/15/2025	2025	Water, Sewer & Drainage	\$ 16,885,000	\$ 16,885,000 (a)
7/15/2020	2020	Refunding	\$ 4,245,000	\$ 2,660,000
10/1/2013	2013	Water & Wastewater	\$ 6,525,000	\$ 6,275,000
Total			\$ 27,655,000	\$ 25,820,000

(a) The Bonds. Preliminary; subject to change.

Cash and Investment Balances (Unaudited as of May 31, 2025)

Operating Fund	\$1,758,374 (a)
Debt Service Fund	\$1,439,126 (b)
Capital Projects Fund	\$486,419
Investments	\$352,474

- (a) Funds earning interest while on deposit.
- (b) Included in the sale of Bonds is approximately twenty-four months of capitalized interest cost estimated at 5.50% of the principal amount of the Bonds (est. \$1,857,350) and will be deposited to the Interest and Sinking Fund upon closing. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Interest and Sinking Fund.

Other Obligations

Pension Plan: The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide 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 760 nontraditional defined benefit pension plans. TCDRS in the aggregate 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.

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 ages 60 and above with 10 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 in 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 employers.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credit. 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 commitment to contribute. At retirement, death, or disability, 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 prescribed by the TCDRS Act.

The employer has elected the annually determined contribution rate (ADCR) plan 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 is actuarially determined annually. The employer contributed using the actuarially determined rate of 10.25% for the months of the accounting year in 2024.

The deposit rate payable by the employee members for fiscal year 2024 is the rate of seven percent (7%) as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

For the District's accounting year ended December 31, 2024, the annual pension cost for the TCDRS plan for its employees was \$59,220; the actual contributions were \$59,220. See "Appendix A – Notes to the Financial Statements – Note 10, Pension Plan".

Other Post-Employment Benefits

The District participates in a cost-sharing multiple- employer defined benefit group term life insurance plan operated by the TCDRS. This plan is referred to as the Group Term Life Fund (GTL). See "Appendix A – Notes to the Financial Statements – Note 11, Other Post-Employment Benefits."

Investment Authority and Investment Practices of the District

The District has adopted an Investment Policy (the "Policy") as required by the PFIA. The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the FDIC and secured by collateral authorized by the PFIA, and in TexPool and Texas Class, which are 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 Bonds or derivative products in the portfolio.

Current Investments

The District's funds are currently invested in various Bank Money Market Accounts and Bank CD's in accordance with the Public Funds Investment Act. This investment portfolio is generally representative of the District's investment practices although the District has in the past or may in the future also invest in authorized Government Securities. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the

contents of the District's audited financial statements. The District currently marks its investments to market price monthly.

Estimated Overlapping Debt Statement

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 Body	Net Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Galveston County	\$ 143,154,091	6/1/2025	1.13%	\$ 1,617,641
Texas City	\$ 80,055,000	6/1/2025	7.26%	\$ 5,811,993
College of the Mainland	\$ 146,565,000	6/1/2025	2.98%	\$ 4,367,637
Dickinson ISD	\$ 435,580,000	6/1/2025	8.67%	\$ 37,764,786
Total Estimated Overlapping Net Debt				\$ 49,562,057
The District (a)	\$ 25,820,000	7/15/2025	100%	\$ 25,820,000
Total Estimated Direct & Net Overlapping Debt				\$ 75,382,057

Ratio of Direct & Overlapping Net Debt
to 2024 Assessed Valuation 12.51%

(a) After issuance of the Bonds. Preliminary; subject to change.

Overlapping Taxes for 2024

Overlapping Entity	2024 Tax Rate Per \$100 Assessed Valuation	Average Tax Bill(a)
Galveston County	0.3334	\$ 655.28
Texas City	0.4887	960.52
College of the Mainland	0.2671	524.97
Dickinson ISD	1.136	2,232.76
Total	2.2252	4,373.54

(a) Based upon the 2024 average single-family home value of \$196,546.

(b) Includes Galveston County Road and Flood.

(c) Only applies to an area of 24.5 acres along Highway 146

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PROJECTED DEBT SERVICE REQUIREMENTS

Bacliff Municipal Utility District
\$16,885,000
Unlimited Tax Bonds, Series 2025

Issue Dated: July 15, 2025
First Interest Payment Due: March 1, 2026

Year Ending 12/31	Outstanding Bonds			Series 2025			Total	Debt Service Requirement
	Principal	Interest	Total	Principal (Due 09/01)	Interest *			
					(Due 03/01)	(Due 09/01)		
2025	625,000	344,100	969,100	-	-	-	-	969,100
2026	510,000	371,600	881,600	55,000	513,351	464,338	1,032,688	1,914,288
2027	580,000	304,275	884,275	55,000	462,825	462,825	980,650	1,864,925
2028	595,000	282,550	877,550	65,000	461,313	461,313	922,625	1,865,175
2029	625,000	260,150	885,150	60,000	459,525	459,525	919,050	1,864,200
2030	645,000	236,650	881,650	70,000	457,875	457,875	985,750	1,867,400
2031	680,000	212,250	892,250	60,000	455,950	455,950	971,900	1,864,150
2032	705,000	186,525	891,525	65,000	454,300	454,300	973,600	1,865,125
2033	730,000	159,038	889,038	70,000	452,513	452,513	975,025	1,864,063
2034	760,000	130,525	890,525	75,000	450,588	450,588	976,175	1,866,700
2035	795,000	100,063	895,063	75,000	448,525	448,525	972,050	1,867,113
2036	825,000	68,075	893,075	80,000	446,463	446,463	972,925	1,866,000
2037	860,000	34,800	894,800	80,000	444,263	444,263	968,525	1,863,325
2038	-	-	-	980,000	442,063	442,063	1,864,125	1,864,125
2039	-	-	-	1,035,000	415,113	415,113	830,225	1,865,225
2040	-	-	-	1,090,000	386,650	386,650	773,300	1,863,300
2041	-	-	-	1,150,000	356,675	356,675	713,350	1,863,350
2042	-	-	-	1,215,000	325,050	325,050	650,100	1,865,100
2043	-	-	-	1,285,000	291,638	291,638	583,275	1,868,275
2044	-	-	-	1,355,000	256,300	256,300	512,600	1,867,600
2045	-	-	-	1,425,000	219,038	219,038	438,075	1,863,075
2046	-	-	-	1,505,000	179,850	179,850	359,700	1,864,700
2047	-	-	-	1,590,000	138,463	138,463	276,925	1,866,925
2048	-	-	-	1,675,000	94,738	94,738	189,475	1,864,475
2049	-	-	-	1,770,000	48,675	48,675	97,350	1,867,350
	\$8,935,000	\$2,690,600	\$11,625,600	\$16,885,000	\$8,661,738	\$8,612,725	\$17,274,463	\$45,785,063

* Interest rate of 5.50% was used for illustrative purposes only.

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. The District has adopted a 2024 tax rate of \$0.2278 per \$100 of taxable assessed valuation, all of which is allocated to debt service.

Maintenance Tax

No maintenance tax has been approved by voters within the District.

District Tax Rates

<u>Tax Rate Per \$100 A.V.</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Interest and Sinking Fund	<u>0.2278</u>	<u>0.1726</u>	<u>0.1951</u>	<u>0.2300</u>	<u>0.2700</u>
Totals	\$0.2278	\$0.1726	\$0.1951	\$0.2300	\$0.2700

Tax Rate Limitation

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount.

Exemptions

As discussed in the section titled "TAXING PROCEDURES," certain property in the District may be exempt from taxation by the District. For tax year 2024, the District has granted a \$10,000 exemption for persons who are disabled or 65 years of age or older.

Additional Penalties

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

Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	% Collections ⁽²⁾⁽³⁾		Year Ending
			Current	Total	
2019	352,031,715	0.2976	96.12%	99.23%	12/31/2019
2020	378,277,144	0.2700	96.72%	99.17%	12/31/2020
2021	450,896,297	0.2300	95.58%	98.72%	12/31/2021
2022	501,494,813	0.1951	95.80%	98.36%	12/31/2022
2023	563,078,027	0.1726	95.99%	97.80%	12/31/2023
2024	602,752,301	0.2278	92.70%	92.70%	12/31/2024 ⁽¹⁾

(a) Collections as of May 28, 2025..

Classification of Assessed Valuation (a)

<u>Type of Property</u>	2024		2023		2022	
	<u>Assessed Valuation</u>	<u>Percent of Total</u>	<u>Assessed Valuation</u>	<u>Percent of Total</u>	<u>Assessed Valuation</u>	<u>Percent of Total</u>
Single Family Residential	\$451,625,773	74.93%	\$423,411,948	75.20%	\$369,533,706	73.69%
Multi-Family Residential	18,578,402	3.08%	16,315,679	2.90%	13,440,925	2.68%
Vacant Lots and Land Tracts	12,820,017	2.13%	11,879,180	2.11%	11,492,860	2.29%
Qualified Open-Space Land	900	0.00%	1,030	0.00%	1,030	0.00%
Rural Land	4,867,802	0.81%	344,160	0.06%	344,160	0.07%
Commercial Real Property	72,706,549	12.06%	72,065,644	12.80%	69,751,602	13.91%
Gas Distribution System	1,406,050	0.23%	1,253,450	0.22%	1,086,240	0.22%
Electric Company	5,582,200	0.93%	4,980,960	0.88%	4,771,940	0.95%
Telephone Company	623,370	0.10%	661,390	0.12%	611,410	0.12%
Railroad	478,540	0.08%	463,930	0.08%	417,120	0.08%
Pipelane Company	866,600	0.14%	773,536	0.14%	638,393	0.13%
Cable Television Company	627,500	0.10%	666,840	0.12%	473,160	0.09%
Commercial Personal Property	19,165,362	3.18%	19,797,510	3.52%	19,388,047	3.87%
Industrial and Manufacturing	476,750	0.08%	654,780	0.12%	590,394	0.12%
Tangible Other Personal, Mobile	10,927,776	1.81%	8,027,940	1.43%	7,762,436	1.55%
Residential Inventory	1,299,410	0.22%	1,148,820	0.20%	585,220	0.12%
Special Inventory Tax	699,300	0.12%	631,230	0.11%	606,170	0.12%
Totally Exempt Property	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>
Total Market Value	\$602,752,301	100.00%	\$563,078,027	100.00%	\$501,494,813	100.00%

(a) Reflects classification of assessed valuation as supplied by the Galveston Appraisal District ("CAD") prior to adjustments or exemptions. Such value may differ from the original certified assessed valuation, and any supplements or adjustments thereto, as supplied by CAD.

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Top Ten Taxpayers

The following list of principal taxpayers was provided by Galveston Appraisal District based on the 2022-2024 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Taxpayer	Type of Property	2024	2023	2022
Brand Industiral Services	Commercial	11,237,530	11,532,830	10,916,870
SS Dickinson LP	Warehouse	7,191,000	11,571,000	12,566,000
Centerpoint Energy	Utility	5,417,630	4,800,010	4,590,990
Brand Industiral Solutions	Commercial	5,211,400	4,904,200	5,514,590
Shahroodi Shahrokh	Mobile Home Park	3,719,919	3,638,650	2,853,180
Residential	Residential	3,500,000	3,390,943	3,583,602
Bacliff Jubilee RV LLC	Commercial	3,441,000	3,875,000	2,600,000
KW Texas Parks LLC	Commercial	3,245,000	3,720,000	5,594,850
Tybin Ltd.	Commercial	3,050,000	2,807,800	4,316,400
Estate	Residential	2,983,698	2,718,020	(a)
Areel Holding LLC	Commercial	<u>(a)</u>	<u>(a)</u>	<u>2,472,600</u>
Total		\$48,997,177	\$52,958,453	\$52,536,482
Percent of Assessed Valuation		8.13%	8.79%	8.72%

(a) Not a top ten taxpayer for respective year.

Tax Adequacy for Debt Service

The calculations shown below are solely for purposes of illustration only and are based on the certified assessed value for 2024 and utilize tax rates adequate to service the District's total projected debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - Impact on District Tax Rates."

Projected Average Annual Debt Service Requirements including the Bonds (2026 through 2049)	\$1,867,332
\$0.3300 Tax Rate on 2024 Assessed Valuation of \$602,752,301 @ 95% collections produces.....	\$1,889,628
Projected Maximum Annual Debt Service Requirements including the Bonds (2026)	\$1,914,288
\$0.3400 Tax Rate on 2024 Assessed Valuation of \$602,752,301 @ 95% collections produces.....	\$1,946,890

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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 "PLAN OF FINANCING — SOURCE OF PAYMENT." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system. See "TAX DATA — DEBT SERVICE TAX" and "— MAINTENANCE TAX."

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, 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 exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty 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 \$35,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by April 30.

Freeport Property and Goods in Transit: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990, may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are "Goods- in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods- in-transit exemptions for items of personal property. The District has not elected to tax goods-in-transit and does not exempt Freeport property from taxation.

Tax Abatement

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

Valuation for Property Taxation

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. 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 Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies certain special purpose districts, including the District, differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, 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 in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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 in the district, subject to certain homestead exemptions, 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 the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, 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 imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, 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 the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

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, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "INVESTMENT CONSIDERATIONS — GENERAL" and "— TAX COLLECTION LIMITATIONS AND FORECLOSURE REMEDIES."

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the approving legal opinion of Baker Williams Matthiesen LLP Houston, Texas, and Stephen H. DonCarlos PLLC, Baytown, Texas, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Co-Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, upon all taxable property within the District. The District will also deliver the legal opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See TAX MATTERS - "TAX EXEMPTION" below. Errors or omissions in the printing of such legal opinion on the Bonds shall not affect the validity of the Bonds nor constitute cause for the failure or refusal by the Underwriter to accept delivery of and pay for the Bonds.

The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of bonds actually issued, sold and delivered, and therefore such fees are contingent upon the sale and delivery of the Bonds.

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

Legal Review

In its capacity as Co-Bond Counsel, Baker Williams Matthiesen LLP, Houston, Texas, and Stephen H. DonCarlos PLLC, Baytown, Texas, have reviewed the information appearing in this Official Statement under the captioned sections "THE BONDS," other than "Book-Entry Only System" "THE DISTRICT—GENERAL," "MANAGEMENT OF THE DISTRICT—CO-BOND COUNSEL AND GENERAL COUNSEL," "TAXING PROCEDURES," "LEGAL MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" other than "COMPLIANCE WITH PRIOR UNDERTAKINGS," solely to determine whether such information fairly summarizes the law and documents referred to therein. Such firms have not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Tax Exemption

In the opinion of Orrick Herrington & Sutcliffe LLP ("Special Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Special Tax Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel observes, however, that interest on the Bonds is a specific preference item for purposes of the federal individual alternative minimum tax and interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise

prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel expresses no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code. Special Tax Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Special Tax Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Not Qualified Tax-Exempt Obligations

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty percent (20%) as a "financial institution preference item."

The District will not designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

The offer and sale of the Bonds have not been registered or qualified 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 jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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 provisions.

NO MATERIAL ADVERSE CHANGE

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

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the President or Vice-President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and delivery to the Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice has been filed or is pending or threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

The District has submitted applications with certain municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost will be paid by the Initial Purchaser. The fees associated with any rating will be paid by the Initial Purchaser. The final Official Statement shall disclose information provided by the insurer relating to any such financial guaranty insurance policy. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain financial information and operating data to the MSRB. The financial information and operating data which will be provided with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (except for "ESTIMATED OVERLAPPING DEBT"), "TAX DATA," and APPENDIX A (the District's Annual Financial Report and Supplemental Schedules). The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2025. Any information so provided shall be prepared in accordance with generally accepted

auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided.

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 will provide unaudited financial information and operating data which is customarily prepared by the District by the required time, and audited financial statements when and if such audited financial statements become 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 December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify MSRB of the change.

Specified Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt 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 within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, 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; and (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 "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, 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 the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

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

statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of SAMCO Capital Markets, Inc. (the "Financial Advisor"), which firm was employed in 2008 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

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

Experts

In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by Freese & Nichols, Inc., and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in the Official Statement relating to the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "FINANCIAL STATEMENT" and "TAX DATA" has been provided by the Galveston Appraisal District, in reliance upon the authority as experts in appraising and tax assessing.

Tax Assessor/Collector: The information contained in this Official Statement relating to tax collection rates has been provided by the office of the Galveston County Tax Assessor Collector in reliance upon her authority as an expert in the field of tax assessing and collecting.

Auditor: The information contained in Appendix A in this official Statement has been provided by McCall Gibson Swedlund Barfoot, the District's current auditor.

Updating the Official Statement During Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), 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 any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all the Bonds have been sold to ultimate customers on or before such date, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification as to Official Statement

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

Official Statement "Deemed Final"

For purposes of compliance with the Rule, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in the Rule.

This Official Statement was approved by the Board of Directors of Bacliff Municipal Utility District, as of the date shown on the first page hereof.

/s/ Brad Bingham

President, Board of Directors
Bacliff Municipal Utility District

/s/ Victor Medina

Secretary, Board of Directors
Bacliff Municipal Utility District

PHOTOGRAPHS

The following photographs were taken in the District in June, 2025. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT

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APPENDIX A
District Audited Financial Statements

The information contained in this appendix has been excerpted from the audited financial statements of Bacliff Municipal Utility District for the fiscal year ended December 31, 2024. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

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BACLIFF MUNICIPAL UTILITY DISTRICT
GALVESTON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2024

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McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bacliff Municipal Utility District
Galveston County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Bacliff Municipal Utility District (the "District") as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2024, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Correction of Error

As described in Note 12 to the financial statements, the District's financial statements as of and for the year ended December 31, 2023, have been restated to account for the correction of an error. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of District Contributions – Pension, Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios, and Schedule of District Contributions – Other Postemployment Benefits 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information and other supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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.

Other Information

Management is responsible for the Other Supplementary Information included in the annual report. The Other Supplementary Information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the Other Supplementary Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

March 10, 2025

BACLIFF MUNICIPAL UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2024

Management's discussion and analysis of the financial performance of Bacliff Municipal Utility District (the "District") provides an overview of the District's financial activities for the fiscal year ended December 31, 2024. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes the District's assets, liabilities, deferred inflows of resources, and deferred outflows of resources 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. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include 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 has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

BACLIFF MUNICIPAL UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2024

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explains the differences between the two presentations and assists in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund. In addition, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of District Contributions – Pension, the Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios, and the Schedule of District Contributions – Other Postemployment Benefits are included as RSI.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,936,289 as of December 31, 2024. A portion of the District's net position reflects its net investment in capital assets which includes land, buildings, vehicles, equipment, and the water and wastewater infrastructure less any debt used to acquire those assets that is still outstanding. A comparative analysis of government-wide changes in net position for the current and prior years is presented on the next page. The fiscal year ending 2023 totals in the tables on the following page have been adjusted for corrections; see also Note 12.

BACLIFF MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2024	2023	Change Positive (Negative)
Current and Other Assets	\$ 5,241,119	\$ 5,129,797	\$ 111,322
Capital Assets (Net of Accumulated Depreciation)	20,732,224	21,027,283	(295,059)
Total Assets	\$ 25,973,343	\$ 26,157,080	\$ (183,737)
Deferred Outflows of Resources	\$ 215,134	\$ 320,674	\$ (105,540)
Bonds Payable	\$ 9,059,859	\$ 9,679,755	\$ 619,896
Other Liabilities	802,335	972,661	170,326
Total Liabilities	\$ 9,862,194	\$ 10,652,416	\$ 790,222
Deferred Inflows of Resources	\$ 1,389,994	\$ 993,966	\$ (396,028)
Net Position:			
Net Investment in Capital Assets	\$ 12,298,988	\$ 11,974,142	\$ 324,846
Restricted	620,315	568,145	52,170
Unrestricted	2,016,986	2,289,085	(272,099)
Total Net Position	\$ 14,936,289	\$ 14,831,372	\$ 104,917

The following table provides a summary of the District's operations for the years ending December 31, 2024, and December 31, 2023.

	Summary of Changes in the Statement of Activities		
	2024	2023	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 972,060	\$ 976,835	\$ (4,775)
Charges for Services	3,739,513	3,651,056	88,457
Other Revenues	170,040	246,597	(76,557)
Total Revenues	\$ 4,881,613	\$ 4,874,488	\$ 7,125
Expenses for Services	4,776,696	4,801,399	24,703
Change in Net Position	\$ 104,917	\$ 73,089	\$ 31,828
Net Position, Beginning of Year	14,831,372	14,758,283	73,089
Net Position, End of Year	\$ 14,936,289	\$ 14,831,372	\$ 104,917

BACLIFF MUNICIPAL UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of December 31, 2024, were \$3,060,559, a decrease of \$273,603 from the prior year.

The General Fund fund balance decreased by \$314,718, primarily due to operating and capital expenditures exceeding service revenues.

The Debt Service Fund fund balance increased by \$34,674, primarily due to the structure of the District's outstanding debt.

The Capital Projects Fund fund balance increased by \$6,441.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a budget for the General Fund for the current fiscal year. Actual revenues were \$217,818 less than budgeted revenues and actual expenditures were \$648,670 more than budgeted expenditures which resulted in a negative variance of \$866,488. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of December 31, 2024, total \$20,732,224 (net of accumulated depreciation) and include land, buildings, and equipment as well as the water and wastewater systems. The 2023 totals have been adjusted; see Note 12.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 335,899	\$ 335,899	\$
Construction in Progress		1,349,250	(1,349,250)
Capital Assets Subject to Depreciation:			
Buildings, Vehicles, and Equipment	3,137,381	2,593,482	543,899
Water System	10,575,044	9,243,839	1,331,205
Wastewater System	17,871,096	17,797,964	73,132
Less Accumulated Depreciation	<u>(11,187,196)</u>	<u>(10,293,151)</u>	<u>(894,045)</u>
Total Net Capital Assets	<u>\$ 20,732,224</u>	<u>\$ 21,027,283</u>	<u>\$ (295,059)</u>

**BACLIFF MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2024**

LONG-TERM DEBT ACTIVITY

As of December 31, 2024, the District had total bond debt payable of \$8,935,000. The changes in the debt position of the District during the fiscal year ended December 31, 2024, are summarized as follows:

Bond Debt Payable, January 1, 2024	\$ 9,545,000
Less: Bond Principal Paid	<u>(610,000)</u>
Bond Debt Payable, December 31, 2024	<u><u>\$ 8,935,000</u></u>

The District's bonds have been assigned an "A-" underlying rating. The Series 2013 Bonds and the Series 2020 Refunding Bonds carry insured ratings of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. Credit enhanced ratings provided through bond insurance policies are subject to change based on changes to the ratings of the insurers.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Bacliff Municipal Utility District, P. O. Box 8717, Bacliff, Texas 77518.

BACLIFF MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
ASSETS		
Cash	\$ 1,650,782	\$ 557,017
Investments	579,726	233,076
Receivables:		
Property Taxes		778,220
Penalty and Interest on Delinquent Taxes		
Galveston County Tax Office		451,221
Service Accounts	267,390	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 2,497,898</u>	<u>\$ 2,019,534</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pension Plan Charges	\$	\$
Deferred Other Postemployment Benefits Plan Charges		
Deferred Charges on Refunding Bonds		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -0-</u>	<u>\$ -0-</u>
TOTAL ASSETS AND DEFERRED		
OUTFLOWS OF RESOURCES	<u><u>\$ 2,497,898</u></u>	<u><u>\$ 2,019,534</u></u>

The accompanying notes to the financial
statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$ 632,855	\$ 2,840,654 812,802	\$	\$ 2,840,654 812,802
	778,220		778,220
		90,832	90,832
	451,221		451,221
	267,390		267,390
		335,899	335,899
		<u>20,396,325</u>	<u>20,396,325</u>
<u>\$ 632,855</u>	<u>\$ 5,150,287</u>	<u>\$ 20,823,056</u>	<u>\$ 25,973,343</u>
\$	\$	\$ 152,936	\$ 152,936
		6,687	6,687
		<u>55,511</u>	<u>55,511</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 215,134</u>	<u>\$ 215,134</u>
<u>\$ 632,855</u>	<u>\$ 5,150,287</u>	<u>\$ 21,038,190</u>	<u>\$ 26,188,477</u>

The accompanying notes to the financial statements are an integral part of this report.

BACLIFF MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2024

	<u>General Fund</u>	<u>Debt Service Fund</u>
LIABILITIES		
Accounts Payable	\$ 93,721	\$
Accrued Interest Payable		
Security Deposits	489,955	
Accrued Interest Payable on Compound Interest Bonds		
Net Pension Liability		
Net Other Postemployment Benefits Liability		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 583,676</u>	<u>\$ -0-</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$	\$ 1,490,161
Deferred Pension Plan Charges		
Deferred Other Postemployment Benefits Plan Charges		
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ -0-</u>	<u>\$ 1,490,161</u>
FUND BALANCES/NET POSITION		
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		529,373
Unassigned	1,914,222	
TOTAL FUND BALANCES	<u>\$ 1,914,222</u>	<u>\$ 529,373</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,497,898</u>	<u>\$ 2,019,534</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 15,891	\$ 109,612	\$	\$ 109,612
		114,700	114,700
	489,955		489,955
		45,852	45,852
		22,683	22,683
		19,533	19,533
		625,000	625,000
		8,434,859	8,434,859
<u>\$ 15,891</u>	<u>\$ 599,567</u>	<u>\$ 9,262,627</u>	<u>\$ 9,862,194</u>
\$	\$ 1,490,161	\$ (114,810)	\$ 1,375,351
		6,167	6,167
		8,476	8,476
<u>\$ -0-</u>	<u>\$ 1,490,161</u>	<u>\$ (100,167)</u>	<u>\$ 1,389,994</u>
\$ 616,964	\$ 616,964	\$ (616,964)	\$
	529,373	(529,373)	
	1,914,222	(1,914,222)	
<u>\$ 616,964</u>	<u>\$ 3,060,559</u>	<u>\$ (3,060,559)</u>	<u>\$ -0-</u>
<u>\$ 632,855</u>	<u>\$ 5,150,287</u>		
		\$ 12,298,988	\$ 12,298,988
		620,315	620,315
		2,016,986	2,016,986
		<u>\$ 14,936,289</u>	<u>\$ 14,936,289</u>

The accompanying notes to the financial statements are an integral part of this report.

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BACLIFF MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2024

Total Fund Balances - Governmental Funds	\$	3,060,559
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Certain amounts related to the pension plan and other postemployment benefits plan that are not immediately recognized as revenue or expense are recorded as deferred outflows of resources and deferred inflows of resources.		144,980
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Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		55,511
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Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		20,732,224
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.		205,642
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (160,552)	
Net Pension Liability	(22,683)	
Net Other Postemployment Benefits Liability	(19,533)	
Bonds Payable	<u>(9,059,859)</u>	<u>(9,262,627)</u>

Total Net Position - Governmental Activities	\$	<u>14,936,289</u>
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The accompanying notes to the financial
statements are an integral part of this report.

BACLIFF MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$	\$ 974,889
Water Service	1,349,180	
Wastewater Service	1,146,228	
Solid Waste Disposal	798,955	
Street Lighting	72,154	
Penalty and Interest	68,532	26,072
Connection, Inspection, and Service Fees	265,417	
Investment and Miscellaneous Revenues	115,586	30,121
TOTAL REVENUES	<u>\$ 3,816,052</u>	<u>\$ 1,031,082</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Personnel	\$ 922,418	\$
Professional Fees and Contracted Services	95,137	20,258
Solid Waste Disposal	786,417	
Purchased Water Service	450,862	
Utilities	200,171	
Repairs and Maintenance	600,667	
Street Lighting	72,313	
Depreciation		
Other	403,799	
Capital Outlay	598,986	
Debt Service:		
Bond Principal		610,000
Bond Interest		366,150
TOTAL EXPENDITURES/EXPENSES	<u>\$ 4,130,770</u>	<u>\$ 996,408</u>
NET CHANGE IN FUND BALANCES	\$ (314,718)	\$ 34,674
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
JANUARY 1, 2024, AS REPORTED	2,228,940	494,699
CORRECTION OF AN ERROR		
JANUARY 1, 2024, AS RESTATED	<u>\$ 2,228,940</u>	<u>\$ 494,699</u>
FUND BALANCES/NET POSITION -		
DECEMBER 31, 2024	<u>\$ 1,914,222</u>	<u>\$ 529,373</u>

The accompanying notes to the financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 974,889	\$ (2,829)	\$ 972,060
	1,349,180		1,349,180
	1,146,228		1,146,228
	798,955		798,955
	72,154		72,154
	94,604	12,975	107,579
	265,417		265,417
24,333	170,040		170,040
<u>\$ 24,333</u>	<u>\$ 4,871,467</u>	<u>\$ 10,146</u>	<u>\$ 4,881,613</u>
\$	\$ 922,418	\$ (42,619)	\$ 879,799
17,392	132,787		132,787
	786,417		786,417
	450,862		450,862
	200,171		200,171
	600,667		600,667
	72,313		72,313
		894,045	894,045
500	404,299		404,299
	598,986	(598,986)	
	610,000	(610,000)	
	366,150	(10,814)	355,336
<u>\$ 17,892</u>	<u>\$ 5,145,070</u>	<u>\$ (368,374)</u>	<u>\$ 4,776,696</u>
\$ 6,441	\$ (273,603)	\$ 273,603	\$
		104,917	104,917
610,523	3,334,162	11,091,276	14,425,438
		405,934	405,934
<u>\$ 610,523</u>	<u>\$ 3,334,162</u>	<u>\$ 11,497,210</u>	<u>\$ 14,831,372</u>
<u>\$ 616,964</u>	<u>\$ 3,060,559</u>	<u>\$ 11,875,730</u>	<u>\$ 14,936,289</u>

The accompanying notes to the financial
statements are an integral part of this report.

BACLIFF MUNICIPAL UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

Net Change in Fund Balances - Governmental Funds	\$ (273,603)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	(2,829)
Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.	12,975
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(894,045)
Governmental funds report capital outlay as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	598,986
Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.	610,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	10,814
The changes in the net pension liability, other postemployment benefits liability, and the related deferred inflows and outflows of resources are recorded in the government-wide financial statements.	42,619
Change in Net Position - Governmental Activities	<u>\$ 104,917</u>

The accompanying notes to the financial
statements are an integral part of this report.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1. CREATION OF DISTRICT

The District is a political subdivision of the State of Texas created by an Act of the 58th Legislature of the State of Texas, Regular Session, 1963 (compiled as Article 8280-286, Vernon's Texas Civil Statutes). The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 51 of the Texas Water Code, as amended. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreation facilities, including the issuance of bonds payable from taxes for such purposes. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the voters of the District. Additionally, the District may, subject to certain limitations, develop and finance roads.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the "Commission"). The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification"). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements. The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position. The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds are eliminated by adjustment to obtain net total revenue and expense of the Statement of Activities.

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include 2023 tax levy collections during the period October 1, 2023, to December 31, 2024, and taxes collected from January 1, 2024, to December 31, 2024, for the 2022 and prior tax levies. The 2024 tax levy has been fully deferred to meet planned operating expenditures for the 2025 fiscal year.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Buildings are depreciated over a term of 40 years, water and wastewater systems are depreciated over terms ranging from 10 to 50 years, and vehicles and equipment are depreciated over terms ranging from 3 to 20 years.

Budgeting

An annual budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions and Other Postemployment Benefits

The District has 10 full-time employees. Payments are made into the social security system for them. The Internal Revenue Service has determined that the District's directors are considered "employees" for federal payroll tax purposes only. See Notes 10 and 11 for more information on the District's pension plan and other postemployment benefits plan.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

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

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. LONG-TERM DEBT

	Series 2013	Series 2020 Refunding	
		Current Interest Bonds	Capital Appreciation Bonds
Amounts Outstanding - December 31, 2024	\$ 6,275,000	\$ 2,535,000	\$ 125,000
Interest Rates	4.50% - 4.75%	2.00% - 3.00%	1.20%
Maturity Dates - Serially Beginning/Ending	September 1, 2025/2037	September 1, 2025, 2027/2037	September 1, 2026
Interest Payment Dates	March 1/ September 1	March 1/ September 1	At Maturity
Callable Dates	September 1 2022 (1)	September 1 2026 (2)	N/A (3)

- (1) In whole or in part, in inverse numerical order on any interest payment date thereafter at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. Series 2013 term bonds maturing September 1, 2031, September 1, 2033 and September 1, 2037 are subject to mandatory redemption beginning September 1, 2030, September 1, 2032, and September 1, 2034, respectively.
- (2) In whole or in part, in inverse numerical order on any interest payment date thereafter at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption. Series 2020 term bonds maturing September 1, 2028, September 1, 2030, and September 1, 2032, are subject to mandatory redemption beginning September 1, 2027, September 1, 2029, and September 1, 2031, respectively.
- (3) The Refunding Series 2020 Capital Appreciation Bond (CAB) is non-callable. The par value of the outstanding CAB is \$125,000 and the maturity value is \$175,000. Interest will be paid at maturity. Accrued interest of \$45,852 has been recorded as a liability in the Statement of Net Position.

At an election held on May 4, 2024, the voters of the District authorized the issuance of \$25,000,000 in bonds for the purpose of the purchase, acquisition and construction of works, improvements, facilities, plants, and equipment for the District's waterworks, sanitary sewer system and drainage system, as well as any additions or improvements. As of December 31, 2024, the District had authorized but unissued bonds in the amount of \$25,706,000.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3. LONG-TERM DEBT (Continued)

Bonds payable activity for the current fiscal year is summarized in the following table:

	January 1, 2024	Additions	Retirements	December 31, 2024
Bonds Payable	\$ 9,545,000	\$	\$ 610,000	\$ 8,935,000
Unamortized Premium	134,755		9,896	124,859
Bonds Payable, Net	<u>\$ 9,679,755</u>	<u>\$ -0-</u>	<u>\$ 619,896</u>	<u>\$ 9,059,859</u>
Amount Due Within One Year				\$ 625,000
Amount Due After One Year				8,434,859
Bonds Payable, Net				<u>\$ 9,059,859</u>

Future debt service requirements are summarized in the following table:

Fiscal Year	Principal	Interest	Total
2025	\$ 625,000	\$ 344,100	\$ 969,100
2026	510,000	371,600	881,600
2027	580,000	304,275	884,275
2028	595,000	282,550	877,550
2029	625,000	260,150	885,150
2030-2034	3,520,000	924,988	4,444,988
2035-2037	2,480,000	202,937	2,682,937
	<u>\$ 8,935,000</u>	<u>\$ 2,690,600</u>	<u>\$ 11,625,600</u>

The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. During the year ended December 31, 2024, the District levied an ad valorem debt service tax rate of \$0.2278 per \$100 of assessed valuation, which resulted in a tax levy of \$1,375,351 on the adjusted taxable valuation of \$603,378,779 for the 2024 tax year.

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

BACLIFF MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

NOTE 4. SIGNIFICANT BOND ORDERS AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each five-year anniversary of the bonds.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District's deposits was \$2,840,654 and the bank balance was \$2,863,446. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at December 31, 2024, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 1,650,782
DEBT SERVICE FUND	557,017
CAPITAL PROJECTS FUND	<u>632,855</u>
TOTAL DEPOSITS	<u>\$ 2,840,654</u>

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in the Texas Short Term Asset Reserve Program ("TexSTAR"), an external public funds investment pool that is not SEC-registered. J. P. Morgan Investment Management Inc. provides investment management and Hilltop Securities Inc., provides participant services and marketing under an agreement with the TexSTAR Board of Directors. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investors Services Co. Investments held by TexSTAR are marked to market daily. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District's position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexSTAR.

The District invests in LOGIC, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. JPMorgan Chase manages the daily operations of the pool under a contract with the Comptroller. LOGIC measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2024, the District had the following investments and maturities:

Funds and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexSTAR	\$ 179,726	\$ 179,726
LOGIC	400,000	400,000
<u>DEBT SERVICE FUND</u>		
TexSTAR	33,076	33,076
LOGIC	200,000	200,000
TOTAL INVESTMENTS	<u>\$ 812,802</u>	<u>\$ 812,802</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District manages this risk by limiting investments to the safest types of investments and pre-qualifying the financial institution and broker/dealers with which the District will do business. The District's investments in TexSTAR and LOGIC were rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in TexSTAR and LOGIC to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there have been significant changes in values.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes.

All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current year is summarized in the following table. Prior year balances have been adjusted; see Note 12.

	January 1, 2024	Increases	Decreases	December 31, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 335,899	\$	\$	\$ 335,899
Construction in Progress	<u>1,349,250</u>	<u>598,986</u>	<u>1,948,236</u>	<u></u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,685,149</u>	<u>\$ 598,986</u>	<u>\$ 1,948,236</u>	<u>\$ 335,899</u>
Capital Assets Subject to Depreciation				
Buildings, Vehicles, and Equipment	\$ 2,593,482	\$ 543,899	\$	\$ 3,137,381
Water System	9,243,839	1,331,205		10,575,044
Wastewater System	<u>17,797,964</u>	<u>73,132</u>	<u></u>	<u>17,871,096</u>
Total Capital Assets Subject to Depreciation	<u>\$ 29,635,285</u>	<u>\$ 1,948,236</u>	<u>\$ -0-</u>	<u>\$ 31,583,521</u>
Less Accumulated Depreciation				
Buildings, Vehicles, and Equipment	\$ 1,151,988	\$ 135,219	\$	\$ 1,287,207
Water System	2,871,067	396,317		3,267,384
Wastewater System	<u>6,270,096</u>	<u>362,509</u>	<u></u>	<u>6,632,605</u>
Total Accumulated Depreciation	<u>\$ 10,293,151</u>	<u>\$ 894,045</u>	<u>\$ -0-</u>	<u>\$ 11,187,196</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 19,342,134</u>	<u>\$ 1,054,191</u>	<u>\$ -0-</u>	<u>\$ 20,396,325</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 21,027,283</u></u>	<u><u>\$ 1,653,177</u></u>	<u><u>\$ 1,948,236</u></u>	<u><u>\$ 20,732,224</u></u>

NOTE 7. SURFACE WATER SUPPLY CONTRACT

The District and the Gulf Coast Water Authority ("GCWA") are parties to a Water Supply Contract pursuant to which the GCWA agrees to supply the District up to a maximum capacity of 1.19 million gallons per day of treated surface water, which is the primary source of water for the District. Charges to the District include its prorata share of raw water charges, capital charges, operating and maintenance charges. The District's purchased water costs for the current year totaled \$450,862.

NOTE 8. STREET LIGHTING

The District assesses the cost of installation, operating and maintaining the street lighting as an additional charge on the monthly billings of the District's customers. The current street lighting charge is \$1.75 per month. During the current year, the District recorded \$72,154 in revenues and \$72,313 in costs related to street lighting.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error and omission and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide 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. TCDRS issues a publicly available annual comprehensive financial report (ACFR) which includes financial statements, notes and required supplementary information which can be obtained at TCDRS, Finance Division, Barton Oaks Plaza IV Suite 500, 901 S. MoPac Expressway, Austin, Texas 78746 or 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 ages 60 and above with 5 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 5 years of service but must leave their accumulated contributions in 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.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the District's commitment to contribute. At retirement, death, or disability, 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 prescribed by the TCDRS Act.

BACLIFF MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024

NOTE 10. PENSION PLAN (Continued)

Plan Description (Continued)

At December 31, 2023, the most recent valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled but not yet receiving benefits	7
Active employees	8

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan 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 is actuarially determined annually. The employer contributed using the actuarially determined rate of 9.28% and 10.25% for calendar years 2023 and 2024, respectively. The contribution rate payable by the employee members for calendar years 2023 and 2024 is 7.00% as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Annual Pension Cost

For the District's accounting year ended December 31, 2024, the annual pension cost for the TCDRS plan for its employees was \$59,220 and the actual contributions were \$59,220. The employees contributed \$40,229 to the plan for the 2024 fiscal year. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB parameters based on the actuarial valuations as of December 31, 2023, the basis for determining the contribution rates for calendar year 2024. The December 31, 2023, actuarial valuation is the most recent valuation.

Actuarial valuation date	12/31/23
Actuarial cost method	Entry Age (level percent of pay)
Amortization method	Straight line over the expected working life
Asset Valuation Method	5-years, non-asymptotic
Actuarial Assumptions:	
Investment return, net	7.5%
Projected salary increases	4.7%
Inflation	2.5%

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10. PENSION PLAN (Continued)

Net Pension Liability (Asset)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions above, except as noted. The discount rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. The actuarial assumptions that determined the total pension liability as of December 31, 2023, were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2020.

Mortality rates were based on the following:

Depositing members – 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirees, beneficiaries and non-depositing members – 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees – 160% of the Pub-2010 Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Sensitivity Analysis – The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District net pension liability 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 6.6%	Current Discount Rate 7.6%	1% Increase 8.6%
Total pension liability	\$ 4,470,027	\$ 4,013,006	\$ 3,620,557
Fiduciary net position	3,990,323	3,990,323	3,990,323
Net pension liability/(asset)	<u>\$ 479,704</u>	<u>\$ 22,683</u>	<u>\$ (369,766)</u>

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10. PENSION PLAN (Continued)

Net Pension Liability (Asset) (Continued)

The long-term expected rate of return on TCDRS assets is reviewed annually and is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The numbers shown are based on January 2024 information for a 10-year time horizon. The valuation assumption for long-term expected return is set based on a long-term time horizon. The most recent analysis was performed in 2021.

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50 %	4.75 %
Global Equities	2.50	4.75
International Equities-Developed Markets	5.00	4.75
International Equities-Emerging Markets	6.00	4.75
Investment-Grade Bonds	3.00	2.35
Strategic Credit	9.00	3.65
Direct Lending	16.00	7.25
Distressed Debt	4.00	6.90
REIT Equities	2.00	4.10
Master Limited Partnerships (MLPs)	2.00	5.20
Private Real Estate Partnerships	6.00	5.70
Private Equity	25.00	7.75
Hedge Funds	6.00	3.25
Cash Equivalents	2.00	0.60
	<u>100.00 %</u>	

Deferred inflows and outflows of resources at year end are summarized in the following table:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,685	\$ 6,167
Changes of assumptions	65,051	
Net differences between projected and actual earnings	20,980	
Contributions subsequent to the measurement date	59,220	
Total	<u>\$ 152,936</u>	<u>\$ 6,167</u>

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10. PENSION PLAN (Continued)

Net Pension Liability (Asset) (Continued)

The changes in net pension liability (asset) is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances of December 31, 2022	\$ 3,819,270	\$ 3,649,752	\$ 169,518
Changes for the year:			
Service Costs	64,075		64,075
Interest on total pension liability	289,372		289,372
Effect of plan changes			
Effect of economic/demographic gains or losses	(5,235)		(5,235)
Refund of contributions			
Benefit payments	(154,476)	(154,476)	
Administrative Expense		(2,084)	2,084
Member contributions		41,979	(41,979)
Net investment income		400,552	(400,552)
Employer contributions		55,966	(55,966)
Other		(1,366)	1,366
Balances of December 31, 2023	<u>\$ 4,013,006</u>	<u>\$ 3,990,323</u>	<u>\$ 22,683</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$59,220 will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2024	\$ 12,457
2025	22,939
2026	78,281
2027	(26,128)
2028	-0-
Thereafter	-0-

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

The District participates in a cost-sharing multiple-employer defined benefit group term life insurance plan operated by the TCDRS. This plan is referred to as the Group Term Life Fund (GTL). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. Contributions made to the retiree GTL Program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$5,000. The GTL covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 and as such the GTL is considered an unfunded OPEB plan. TCDRS issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information. This report is available at TCDRS' website at www.TCDRS.org.

The District contributes to the GTL fund at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the GTL fund program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employee's entire career.

Each participating employer contributes to the GTL fund at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District's actuarially determined contributions for the year ending December 31, 2024 were \$1,207 and the District's actual contributions for the year ending December 31, 2024 were \$1,207. The following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	<u>5</u>
Inactive employees entitled but not yet receiving benefits	<u>0</u>
Active employees	<u>8</u>

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2023 were based on the results of an actuarial experience study for the period January 1, 2017 - December 31, 2020, except where required to be different by GASB 75.

Valuation Timing - Actuarially determined contribution rates 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.

Actuarial Cost – Entry Age Level Percent of Salary

Amortization Method - Straight-line amortization over expected working life

Recognition of assumptions changes or inputs - Straight-line amortization over expected working life

Asset Valuation Method - Does not apply

Inflation, Salary Increases, and Cost of Living Adjustment - Do not apply

Investment Rate of Return (Discount Rate) – 3.26% based on 20 Year Bond GO Index published by bondbuyer.com as of December 28, 2023

Mortality rates were based on the following:

Depositing members – 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirees, beneficiaries and non-depositing members – 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees – 160% of the Pub-2010 Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate

The total OPEB liability was determined by an actuarial valuation as of the measurement date, calculated based on the discount rate and actuarial assumptions discussed below. The discount rate reflects the long-term rate of return funding valuation assumption of 3.26%. The TCDRS GTLF is treated as an unfunded OPEB plan because the GTLF covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.26% based on the 20 year Bond GO Index by bondbuyer.com is used as of the measurement date of December 28, 2023. As of December 28, 2023, the discount rate used in the development of the Total OPEB Liability was 3.26% compared to 3.72% as of December 31, 2022.

Changes in Total OPEB Liability for the measurement year ended December 31, 2023, are summarized in the following table:

	Changes in Total OPEB Liability
Balances of December 31, 2022	\$ 16,581
Changes for the year:	
Service Costs	718
Interest on total OPEB liability	640
Effect of economic/demographic gains or losses	424
Effect of assumption changes or inputs	1,350
Benefit payments	(180)
Balances of December 31, 2023	\$ 19,533

Sensitivity Analysis – The following presents the net OPEB liability of the District, calculated using the discount rate of 3.26%, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.26%) or 1 percentage point higher (4.26%) than the current rate.

	1% Decrease 2.26%	Current Discount Rate 3.26%	1% Increase 4.26%
Total OPEB liability	\$ 22,885	\$ 19,533	\$ 16,739

BACLIFF MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS (Continued)

As of December 31, 2023, the deferred inflows and outflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 876	\$ 4,541
Changes of assumptions	4,604	3,935
Contributions subsequent to the measurement date	1,207	
Total	<u>\$ 6,687</u>	<u>\$ 8,476</u>

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

Year ended December 31:		
2024	\$	(742)
2025		(742)
2026		(153)
2027		(683)
2028		(926)
Thereafter		250

NOTE 12. CORRECTION OF ERROR

The District corrected its prior year financial statements to properly account for certain costs paid in prior years which were expensed. It was determined that purchases for individual meters were expensed in prior years due to their insignificant individual costs. Pursuant to current guidance by the Governmental Accounting Standards Board, these costs should have been capitalized based on the significance of the aggregated costs in relation to the financial statements. The net result of these corrections was an increase in net position and an increase in capital assets of \$405,934.

BACLIFF MUNICIPAL UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2024

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BACLIFF MUNICIPAL UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Water and Wastewater Service, Other	\$ 3,860,170	\$ 3,550,635	\$ (309,535)
Connection, Inspection, and Service Fees	<u>173,700</u>	<u>265,417</u>	<u>91,717</u>
TOTAL REVENUES	<u>\$ 4,033,870</u>	<u>\$ 3,816,052</u>	<u>\$ (217,818)</u>
EXPENDITURES			
Service Operations:			
Personnel	\$ 980,700	\$ 922,418	\$ 58,282
Professional Fees	120,000	95,137	24,863
Solid Waste Disposal	772,000	786,417	(14,417)
Purchased Water Service	450,000	450,862	(862)
Utilities	207,500	200,171	7,329
Repairs, Maintenance, Capital Outlay	579,100	1,199,653	(620,553)
Street Lighting	70,000	72,313	(2,313)
Other	<u>302,800</u>	<u>403,799</u>	<u>(100,999)</u>
TOTAL EXPENDITURES	<u>\$ 3,482,100</u>	<u>\$ 4,130,770</u>	<u>\$ (648,670)</u>
NET CHANGE IN FUND BALANCE	\$ 551,770	\$ (314,718)	\$ (866,488)
FUND BALANCE - JANUARY 1, 2024	<u>2,228,940</u>	<u>2,228,940</u>	<u></u>
FUND BALANCE - DECEMBER 31, 2024	<u>\$ 2,780,710</u>	<u>\$ 1,914,222</u>	<u>\$ (866,488)</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
DECEMBER 31, 2024

	Year Ended December 31,			
	2014	2015	2016	2017
Total Pension Liability				
Service Cost	\$ 42,514	\$ 50,566	\$ 62,985	\$ 64,036
Interest on total pension liability	121,092	135,815	153,814	172,925
Effect of plan changes		5,251		
Effect of economic/demographic (gains) or losses	22,607	37,614	(1,302)	(8,932)
Effect of assumption changes or inputs		13,994		6,032
Benefit payments/refunds of contributions	<u>(10,287)</u>	<u>(25,672)</u>	<u>(9,376)</u>	<u>(16,189)</u>
Net change in total pension liability	\$ 175,926	\$ 217,568	\$ 206,121	\$ 217,872
Total pension liability, beginning	<u>1,479,158</u>	<u>1,655,084</u>	<u>1,872,652</u>	<u>2,078,773</u>
Total pension liability, ending (a)	<u>\$ 1,655,084</u>	<u>\$ 1,872,652</u>	<u>\$ 2,078,773</u>	<u>\$ 2,296,645</u>
Fiduciary Net Position				
Employer contributions	\$ 40,424	\$ 42,969	\$ 49,027	\$ 97,473
Member contributions	35,254	39,365	47,077	48,777
Investment income net of investment expenses	94,885	(32,734)	118,167	264,929
Benefit payments/refunds of contributions	(10,287)	(25,672)	(9,376)	(16,189)
Administrative Expense	(1,150)	(1,141)	(1,284)	(1,460)
Other	<u>(210)</u>	<u>(178)</u>	<u>4,051</u>	<u>1,729</u>
Net change in fiduciary net position	\$ 158,916	\$ 22,609	\$ 207,662	\$ 395,259
Fiduciary net position, beginning	<u>1,411,497</u>	<u>1,570,413</u>	<u>1,593,022</u>	<u>1,800,684</u>
Fiduciary net position, ending (b)	<u>\$ 1,570,413</u>	<u>\$ 1,593,022</u>	<u>\$ 1,800,684</u>	<u>\$ 2,195,943</u>
Net pension liability/(asset), ending = (a) - (b)	<u>\$ 84,671</u>	<u>\$ 279,630</u>	<u>\$ 278,089</u>	<u>\$ 100,702</u>
Fiduciary net position as a percentage of total pension liability	94.88%	85.07%	86.62%	95.62%
Pensionable covered payroll	\$ 587,559	\$ 656,087	\$ 672,524	\$ 696,808
Net pension liability as a percentage of covered payroll	14.41%	42.62%	41.35%	14.45%

See accompanying independent auditor's report.

2018	2019	2020	2021	2022	2023
\$ 61,120 190,163	\$ 62,690 209,477	\$ 61,413 231,036	\$ 73,253 253,377	\$ 65,116 272,811 (3,469)	\$ 64,075 289,372
1,008	9,174	16,975	(7,922)	829	(5,235)
(20,551)	(10,076)	190,587 (17,880)	6,102 (43,031)	(79,577)	(154,476)
\$ 231,740	\$ 271,265	\$ 482,131	\$ 281,779	\$ 255,710	\$ 193,736
2,296,645	2,528,385	2,799,650	3,281,781	3,563,560	3,819,270
<u>\$ 2,528,385</u>	<u>\$ 2,799,650</u>	<u>\$ 3,281,781</u>	<u>\$ 3,563,560</u>	<u>\$ 3,819,270</u>	<u>\$ 4,013,006</u>
\$ 48,326 47,445	\$ 91,177 49,262	\$ 50,669 49,606	\$ 53,570 52,446	\$ 59,487 45,559	\$ 55,966 41,979
(40,070)	366,367	282,325	687,370	(227,708)	400,552
(20,551)	(10,076)	(17,880)	(43,031)	(79,577)	(154,476)
(1,793)	(2,081)	(2,266)	(2,081)	(2,139)	(2,084)
2,462	4,842	2,709	2,639	6,801	(1,366)
\$ 35,819	\$ 499,491	\$ 365,163	\$ 750,913	\$ (197,577)	\$ 340,571
2,195,943	2,231,762	2,731,253	3,096,416	3,847,329	3,649,752
<u>\$ 2,231,762</u>	<u>\$ 2,731,253</u>	<u>\$ 3,096,416</u>	<u>\$ 3,847,329</u>	<u>\$ 3,649,752</u>	<u>\$ 3,990,323</u>
<u>\$ 296,623</u>	<u>\$ 68,397</u>	<u>\$ 185,365</u>	<u>\$ (283,769)</u>	<u>\$ 169,518</u>	<u>\$ 22,683</u>
88.27%	97.56%	94.35%	107.96%	95.56%	99.43%
\$ 677,780	\$ 703,739	\$ 708,661	\$ 749,235	\$ 650,839	\$ 599,700
43.76%	9.72%	26.16%	-37.87%	26.05%	3.78%

See accompanying independent auditor's report.

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BACLIFF MUNICIPAL UTILITY DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION
DECEMBER 31, 2024

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a Percentage of Covered Payroll
2015	\$ 42,969	\$ 42,969	\$ - 0 -	\$ 656,087	6.5%
2016	\$ 49,027	\$ 49,027	\$ - 0 -	\$ 672,524	7.3%
2017	\$ 49,473	\$ 97,473	\$ (48,000)	\$ 696,808	14.0%
2018	\$ 48,326	\$ 48,326	\$ - 0 -	\$ 677,780	7.1%
2019	\$ 46,447	\$ 91,177	\$ (44,730)	\$ 703,739	13.0%
2020	\$ 45,425	\$ 50,669	\$ (5,244)	\$ 708,661	7.1%
2021	\$ 47,052	\$ 53,570	\$ (6,518)	\$ 749,235	7.1%
2022	\$ 59,487	\$ 59,487	\$ - 0 -	\$ 650,839	9.1%
2023	\$ 55,652	\$ 55,966	\$ (314)	\$ 599,700	9.3%
2024	\$ 59,220	\$ 59,220	\$ - 0 -	\$ 574,699	10.3%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
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Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	17.3 years (based on contribution rate calculated in 12/31/2023 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 administrative 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 of the Pub-2010 General Retirees Mortality Table for males and 120% of the Pub-2010 General Retirees Mortality 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 were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected 2022: No changes in plan provisions were reflected in the schedule.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the schedule. 2016: Employer contributions reflect that the member contribution rate was increased to 7%. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018, 2019, 2020, 2021, 2022 and 2023: 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.*

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020
Total OPEB Liability				
Service Cost	\$ 718	\$ 1,051	\$ 1,226	\$ 949
Interest (on the Total OPEB Liability)	640	529	479	529
Economic/demographic gains or losses	424	(4,633)	688	(627)
Changes of assumptions or other inputs	1,350	(4,935)	1,017	2,277
Benefit payments	<u>(180)</u>	<u>(130)</u>	<u>(150)</u>	<u>(71)</u>
Net change in total OPEB liability	\$ 2,952	\$ (8,118)	\$ 3,260	\$ 3,057
Total OPEB liability, beginning	<u>16,581</u>	<u>24,699</u>	<u>21,439</u>	<u>18,382</u>
Total OPEB liability, ending	<u><u>\$ 19,533</u></u>	<u><u>\$ 16,581</u></u>	<u><u>\$ 24,699</u></u>	<u><u>\$ 21,439</u></u>
OPEB Covered-employee payroll	\$ 599,700	\$ 650,839	\$ 749,235	\$ 708,661
Net OPEB liability as a percentage of covered employee payroll	3.26%	2.55%	3.30%	3.03%

See accompanying independent auditor's report.

Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
\$ 717	\$ 839	\$ 795
557	491	614
319	(166)	(3,792)
3,953	(1,634)	516
<u>(70)</u>	<u>(136)</u>	<u>(139)</u>
\$ 5,476	\$ (606)	\$ (2,006)
<u>12,906</u>	<u>13,512</u>	<u>15,518</u>
<u>\$ 18,382</u>	<u>\$ 12,906</u>	<u>\$ 13,512</u>
\$ 703,739	\$ 677,780	\$ 696,808
2.61%	1.90%	1.94%

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS –
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2024

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	OPEB Covered Payroll ⁽¹⁾	Actual Contribution as a Percentage of Covered Payroll
2017	\$ 1,696	\$ 1,696	\$ - 0 -	\$ 696,808	0.24%
2018	\$ 1,619	\$ 1,619	\$ - 0 -	\$ 677,780	0.24%
2019	\$ 1,830	\$ 1,830	\$ - 0 -	\$ 703,739	0.26%
2020	\$ 1,843	\$ 1,843	\$ - 0 -	\$ 708,661	0.26%
2021	\$ 1,873	\$ 1,839	\$ 34	\$ 749,235	0.25%
2022	\$ 1,757	\$ 1,757	\$ - 0 -	\$ 650,839	0.27%
2023	\$ 1,259	\$ 1,259	\$ - 0 -	\$ 599,700	0.21%
2024	\$ 1,207	\$ 1,207	\$ - 0 -	\$ 574,699	0.21%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

All actuarial methods and assumptions used for this analysis were the same as those used in the December 31, 2023, funding valuation. Following are the key assumptions and methods used in this analysis.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Level Percent of Salary
Amortization Method	Straight-line method over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return	3.26%; 20-year Bond GO Index published by bondbuyer.com as of December 28, 2023
Cost-of-Living Adjustments	Does not apply
Retirement, Disability, Termination	Same as funding valuation
Mortality	Same as funding valuation, See Note 11

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
DECEMBER 31, 2024

BACLIFF MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2024

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Sewer	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> X </u>	Fire Protection	<u> </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> X </u>	Other (specify): <u>Street Lights</u>				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

The following rates are based on the rate order approved October 9, 2023.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 16.00	2,000	N	\$ 5.05	2,001 and up
WASTEWATER:	\$ 17.00	2,000	N	\$ 3.80	2,001 and up
SURCHARGE:					
Commission					
Regulatory Assessments	0.50% of water and sewer bill				
Other – Street Lights	\$ 1.75		Gulf Coast WA	\$ 2.50	
VFD	\$ 7.00				
Solid Waste Disposal	\$ 19.35				

District employs winter averaging for wastewater usage? X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$56.40 Wastewater: \$47.40 Surcharge: \$31.12

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	<u>3,735</u>	<u>3,384</u>	x 1.0	<u>3,384</u>
1"	<u>33</u>	<u>29</u>	x 2.5	<u>73</u>
1½"	<u>12</u>	<u>12</u>	x 5.0	<u>60</u>
2"	<u>31</u>	<u>28</u>	x 8.0	<u>224</u>
3"	<u>4</u>	<u>4</u>	x 15.0	<u>60</u>
4"	<u>1</u>	<u>1</u>	x 25.0	<u>25</u>
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>3,816</u>	<u>3,458</u>		<u>3,826</u>
Total Wastewater Connections	<u>3,768</u>	<u>3,410</u>	x 1.0	<u>3,410</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited):

Gallons billed to customers:	185,940,000	Water Accountability Ratio: 89.13% (Gallons billed/Gallons purchased)
Gallons purchased:	208,627,000	From: <u>Gulf Coast Water Authority</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED DECEMBER 31, 2024

4. STANDBY FEES (authorized only under TWC Section 49.231):

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

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes ☒ No ☐

County in which District is located:

Galveston County, Texas

Is the District located within a city is extraterritorial jurisdiction (ETJ)?

Entirely ☐ Partly ☐ Not at all ☒

Are Board Members appointed by an office outside the District?

Yes ☐ No ☒

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2024

PERSONNEL EXPENDITURES (Including Benefits)	
Salaries, Including Payroll Taxes	\$ 720,497
Pension, Insurance and Other Benefits	201,921
TOTAL PERSONNEL EXPENDITURES	<u>\$ 922,418</u>
PROFESSIONAL FEES:	
Auditing and Accounting	\$ 31,275
Engineering	51,338
Legal	12,524
TOTAL PROFESSIONAL FEES	<u>\$ 95,137</u>
PURCHASED WATER	<u>\$ 450,862</u>
UTILITIES:	
Electricity	\$ 177,984
Telephone	22,187
TOTAL UTILITIES	<u>\$ 200,171</u>
REPAIRS AND MAINTENANCE	<u>\$ 600,667</u>
ADMINISTRATIVE EXPENDITURES:	
Insurance	\$ 94,061
Office Supplies and Postage	84,735
Training and Other	27,221
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 206,017</u>
CAPITAL OUTLAY	<u>\$ 598,986</u>
SOLID WASTE DISPOSAL	<u>\$ 786,417</u>
STREET LIGHTING	<u>\$ 72,313</u>
OTHER EXPENDITURES:	
Fuel, Supplies, Tools, Chemicals	\$ 57,655
Laboratory Fees	48,192
Permit and Assessments	49,755
Sludge Hauling	42,180
TOTAL OTHER EXPENDITURES	<u>\$ 197,782</u>
TOTAL EXPENDITURES	<u><u>\$ 4,130,770</u></u>

Number of persons employed by the District 10 Full-Time -0- Part-Time

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
INVESTMENTS
DECEMBER 31, 2024

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexSTAR	XXXX3500	Varies	Daily	\$ 33,076	\$
TexSTAR	XXXX2990	Varies	Daily	146,650	
LOGIC	XXXX1001	Varies	Daily	200,000	
LOGIC	XXXX1003	Varies	Daily	200,000	
TOTAL GENERAL FUND				<u>\$ 579,726</u>	<u>\$ - 0 -</u>
<u>DEBT SERVICE FUND</u>					
TexSTAR	XXXX3330	Varies	Daily	\$ 33,076	\$
LOGIC	XXXX1002	Varies	Daily	200,000	
TOTAL DEBT SERVICE FUND				<u>\$ 233,076</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 812,802</u></u>	<u><u>\$ - 0 -</u></u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Debt Service Taxes</u>	
TAXES RECEIVABLE -		
JANUARY 1, 2024	\$ 867,590	
Adjustments to Beginning Balance	<u>(10,865)</u>	\$ 856,725
Original 2024 Tax Levy	\$ 1,300,945	
Adjustment to 2024 Tax Levy	<u>74,406</u>	<u>1,375,351</u>
TOTAL TO BE ACCOUNTED FOR		\$ 2,232,076
TAX COLLECTIONS:		
Prior Years	\$ 741,915	
Current Year	<u>711,941</u>	<u>1,453,856</u>
TAXES RECEIVABLE - DECEMBER 31, 2024		<u>\$ 778,220</u>
TAXES RECEIVABLE BY		
YEAR:		
2024		\$ 663,410
2023		26,148
2022		16,192
2021		11,331
2020		6,982
2019		8,141
2018		6,488
2017		5,755
2016		6,022
2015		5,444
2014		5,171
2013 and Prior		<u>17,136</u>
TOTAL		<u>\$ 778,220</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
PROPERTY VALUATIONS:				
Land	\$ 209,510,677	\$ 103,569,008	\$ 98,752,550	\$ 97,894,205
Improvements	541,675,459	534,577,984	455,705,362	397,740,077
Personal Property	29,938,372	29,834,086	28,668,637	29,471,000
Exemptions**	<u>(177,745,729)</u>	<u>(103,272,644)</u>	<u>(78,526,556)</u>	<u>(69,688,394)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 603,378,779</u>	<u>\$ 564,708,434</u>	<u>\$ 504,599,993</u>	<u>\$ 455,416,888</u>
TAX RATES PER \$100 VALUATION:				
Debt Service Tax Levy	<u>\$ 0.227800</u>	<u>\$ 0.172600</u>	<u>\$ 0.195100</u>	<u>\$ 0.230000</u>
ADJUSTED TAX LEVY*	<u>\$ 1,375,351</u>	<u>\$ 979,447</u>	<u>\$ 985,173</u>	<u>\$ 1,048,266</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>51.76 %</u>	<u>97.33 %</u>	<u>98.36 %</u>	<u>98.92 %</u>

* Based upon the adjusted tax levy at the time of audit for the fiscal year in which the tax was levied.

** Includes Homestead Cap

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 1 3			
Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 250,000	\$ 289,650	\$ 539,650
2026	385,000	278,400	663,400
2027	405,000	261,075	666,075
2028	420,000	242,850	662,850
2029	440,000	223,950	663,950
2030	460,000	204,150	664,150
2031	485,000	183,450	668,450
2032	510,000	161,625	671,625
2033	530,000	138,038	668,038
2034	555,000	113,525	668,525
2035	585,000	87,162	672,162
2036	610,000	59,375	669,375
2037	640,000	30,400	670,400
	<u>\$ 6,275,000</u>	<u>\$ 2,273,650</u>	<u>\$ 8,548,650</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

S E R I E S - 2 0 2 0 R E F U N D I N G

Due During Fiscal Years Ending December 31	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 375,000	\$ 54,450	\$ 429,450
2026	125,000	93,200	218,200
2027	175,000	43,200	218,200
2028	175,000	39,700	214,700
2029	185,000	36,200	221,200
2030	185,000	32,500	217,500
2031	195,000	28,800	223,800
2032	195,000	24,900	219,900
2033	200,000	21,000	221,000
2034	205,000	17,000	222,000
2035	210,000	12,900	222,900
2036	215,000	8,700	223,700
2037	220,000	4,400	224,400
	<u>\$ 2,660,000</u>	<u>\$ 416,950</u>	<u>\$ 3,076,950</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending December 31	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 625,000	\$ 344,100	\$ 969,100
2026	510,000	371,600	881,600
2027	580,000	304,275	884,275
2028	595,000	282,550	877,550
2029	625,000	260,150	885,150
2030	645,000	236,650	881,650
2031	680,000	212,250	892,250
2032	705,000	186,525	891,525
2033	730,000	159,038	889,038
2034	760,000	130,525	890,525
2035	795,000	100,062	895,062
2036	825,000	68,075	893,075
2037	860,000	34,800	894,800
	<u>\$ 8,935,000</u>	<u>\$ 2,690,600</u>	<u>\$ 11,625,600</u>

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED DECEMBER 31, 2024

Description	Original Bonds Issued	Bonds Outstanding January 1, 2024
Bacliff Municipal Utility District Unlimited Tax Bonds - Series 2013	\$ 6,525,000	\$ 6,525,000
Bacliff Municipal Utility District Unlimited Tax Refunding Bonds - Series 2020	<u>4,245,000</u>	<u>3,020,000</u>
TOTAL	<u>\$ 10,770,000</u>	<u>\$ 9,545,000</u>
Bond Authority:	<u>Tax Bonds</u>	
Amount Authorized by Voters	\$ 46,811,000	
Amount Issued	<u>21,105,000</u>	
Remaining to be Issued	<u>\$ 25,706,000</u>	
Debt Service Fund cash and investment balances as of December 31, 2024:		<u>\$ 790,093</u>
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u>\$ 894,277</u>

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding December 31, 2024	Paying Agent
	Principal	Interest		
\$	\$ 250,000	\$ 300,900	\$ 6,275,000	Wells Fargo Bank N.A. Minneapolis, MN
	360,000	65,250	2,660,000	UMB Bank N.A. Houston, TX
<u>\$ - 0 -</u>	<u>\$ 610,000</u>	<u>\$ 366,150</u>	<u>\$ 8,935,000</u>	

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Water Service	\$ 1,349,180	\$ 1,389,659	\$ 1,266,503
Wastewater Service	1,146,228	1,188,260	1,129,814
Solid Waste Disposal	798,955	734,846	712,331
Street Lighting	72,154	71,470	71,110
Penalty and Interest	68,532	66,153	64,957
Connection, Inspection, and Service Fees	265,417	277,955	300,013
Investment and Miscellaneous Revenues	<u>115,586</u>	<u>132,451</u>	<u>45,781</u>
TOTAL REVENUES	<u>\$ 3,816,052</u>	<u>\$ 3,860,794</u>	<u>\$ 3,590,509</u>
EXPENDITURES			
Personnel	\$ 922,418	\$ 933,953	\$ 989,218
Professional Fees	95,137	185,037	68,847
Solid Waste Disposal	786,417	718,119	695,728
Purchased Water Service	450,862	493,751	399,137
Utilities	200,171	206,210	187,209
Repairs and Maintenance	600,667	750,274	451,135
Street Lighting	72,313	60,849	60,393
Other	403,799	363,817	426,864
Capital Outlay	<u>598,986</u>	<u>119,556</u>	<u>129,539</u>
TOTAL EXPENDITURES	<u>\$ 4,130,770</u>	<u>\$ 3,831,566</u>	<u>\$ 3,408,070</u>
NET CHANGE IN FUND BALANCE	\$ (314,718)	\$ 29,228	\$ 182,439
BEGINNING FUND BALANCE	<u>2,228,940</u>	<u>2,199,712</u>	<u>2,017,273</u>
ENDING FUND BALANCE	<u>\$ 1,914,222</u>	<u>\$ 2,228,940</u>	<u>\$ 2,199,712</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues									
2021	2020	2024		2023		2022		2021		2020	
\$ 1,180,885	\$ 1,052,993	35.4	%	36.0	%	35.3	%	35.6	%	33.3	%
1,111,788	1,087,056	30.0		30.8		31.5		33.4		34.4	
675,996	648,371	20.9		19.0		19.8		20.3		20.5	
76,352	80,238	1.9		1.9		2.0		2.3		2.5	
60,104	53,739	1.8		1.7		1.8		1.8		1.7	
208,709	188,870	7.0		7.2		8.4		6.3		6.0	
10,462	52,214	3.0		3.4		1.2		0.3		1.6	
<u>\$ 3,324,296</u>	<u>\$ 3,163,481</u>	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%	<u>100.0</u>	%
\$ 1,108,642	\$ 1,018,247	24.2	%	24.2	%	27.6	%	33.3	%	32.2	%
41,498	35,831	2.5		4.8		1.9		1.2		1.1	
658,626	632,937	20.6		18.6		19.4		19.8		20.0	
383,652	376,127	11.8		12.8		11.1		11.5		11.9	
164,676	176,941	5.2		5.3		5.2		5.0		5.6	
398,713	255,101	15.7		19.4		12.6		12.0		8.1	
58,688	59,597	1.9		1.6		1.7		1.8		1.9	
400,247	395,734	10.6		9.4		11.9		12.0		12.5	
	314,397	15.7		3.1		3.6				9.9	
<u>\$ 3,214,742</u>	<u>\$ 3,264,912</u>	<u>108.2</u>	%	<u>99.2</u>	%	<u>95.0</u>	%	<u>96.6</u>	%	<u>103.2</u>	%
\$ 109,554	\$ (101,431)	<u>(8.2)</u>	%	<u>0.8</u>	%	<u>5.0</u>	%	<u>3.4</u>	%	<u>(3.2)</u>	%
<u>1,907,719</u>	<u>2,009,150</u>										
\$ 2,017,273	\$ 1,907,719										

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 974,889	\$ 974,181	\$ 1,027,334
Penalty and Interest	26,072	23,777	25,641
Investment and Miscellaneous Revenues	<u>30,121</u>	<u>11,380</u>	<u>3,146</u>
TOTAL REVENUES	<u>\$ 1,031,082</u>	<u>\$ 1,009,338</u>	<u>\$ 1,056,121</u>
EXPENDITURES			
Tax Collection and Bond Related Costs	\$ 20,258	\$ 15,849	\$ 18,033
Debt Service Principal	610,000	610,000	600,000
Debt Service Interest and Fees	<u>366,150</u>	<u>387,940</u>	<u>405,250</u>
TOTAL EXPENDITURES	<u>\$ 996,408</u>	<u>\$ 1,013,789</u>	<u>\$ 1,023,283</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 34,674</u>	<u>\$ (4,451)</u>	<u>\$ 32,838</u>
OTHER FINANCING SOURCES (USES)			
Bond Premium	\$	\$	\$
Payment to Refunded Bond Paying Agent			
Proceeds from Issuance of Long-Term Debt	<u></u>	<u></u>	<u></u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 34,674	\$ (4,451)	\$ 32,838
BEGINNING FUND BALANCE	<u>494,699</u>	<u>499,150</u>	<u>466,312</u>
ENDING FUND BALANCE	<u><u>\$ 529,373</u></u>	<u><u>\$ 494,699</u></u>	<u><u>\$ 499,150</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>3,458</u>	<u>3,443</u>	<u>3,445</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>3,410</u>	<u>3,457</u>	<u>3,539</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2021	2020	2024	2023	2022	2021	2020		
\$ 1,022,584	\$ 1,038,744	94.6 %	96.5 %	97.3 %	97.9 %	97.7 %		
21,396	21,891	2.5	2.4	2.4	2.0	2.1		
1,254	2,001	2.9	1.1	0.3	0.1	0.2		
<u>\$ 1,045,234</u>	<u>\$ 1,062,636</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 16,127	\$ 295,703	2.0 %	1.6 %	1.7 %	1.5 %	27.8 %		
590,000	555,000	59.2	60.4	56.8	56.4	52.2		
423,882	414,765	35.5	38.4	38.4	40.6	39.0		
<u>\$ 1,030,009</u>	<u>\$ 1,265,468</u>	<u>96.7 %</u>	<u>100.4 %</u>	<u>96.9 %</u>	<u>98.5 %</u>	<u>119.0 %</u>		
<u>\$ 15,225</u>	<u>\$ (202,832)</u>	<u>3.3 %</u>	<u>(0.4) %</u>	<u>3.1 %</u>	<u>1.5 %</u>	<u>(19.0) %</u>		
\$	\$ 205,624							
	(4,243,736)							
	4,245,000							
<u>\$ - 0 -</u>	<u>\$ 206,888</u>							
\$ 15,225	\$ 4,056							
451,087	447,031							
<u>\$ 466,312</u>	<u>\$ 451,087</u>							
<u>3,407</u>	<u>3,396</u>							
3,486	3,668							

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2024

District Mailing Address - Bacliff Municipal Utility District
P.O. Box 8717
Bacliff, TX 77518

District's Telephone Number - (281) 339-1634

Board Members	Term of Office (Elected or Appointed)	Fees of office for the year ended <u>December 31, 2024</u>	Expense Reimbursements for the year ended <u>December 31, 2024</u>	<u>Title</u>
Brad Bingham	05/24 05/28 (Elected)	\$ 2,550	\$ -0-	President
Victor Medina	05/24 05/28 (Elected)	\$ 1,950	\$ -0-	Vice President/ Secretary
Tony Poynor	05/22 05/26 (Elected)	\$ 1,950	\$ -0-	Director
Don Rodgers	05/22 05/26 (Elected)	\$ 2,250	\$ -0-	Director
Larry Burchfield	06/24 05/26 (Appointed)	\$ 450	\$ -0-	Director
Dale Patterson	05/24 06/24 (Resigned)	\$ 1,650	\$ -0-	Former Vice President/ Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission date of most recent District Registration Form: March 6, 2025

Limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 in accordance with Commission Requirements. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

BACLIFF MUNICIPAL UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
DECEMBER 31, 2024

	<u>Date Hired</u>	<u>Fees/ Compensation for the fiscal year ended December 31, 2024</u>	<u>Title</u>
Key Administrative Personnel:			
James Wistinghausen	09/11/89	\$ 146,203	General Superintendent
Kim Jones	05/21	\$ 72,528	Office Manager
Consultants:			
Reid, Strickland & Gillette	Prior to 1990	\$ 12,524	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	07/12/10	\$ 27,000	Auditor
Freese & Nichols, Inc.	Prior to 1989	\$ 31,418	Engineer
SAMCO Capital Markets, Inc.		\$ -0-	Financial Advisor

See accompanying independent auditor's report.

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BACLIFF MUNICIPAL UTILITY DISTRICT
OTHER SUPPLEMENTARY INFORMATION

BACLIF MUNICIPAL UTILITY DISTRICT
PRINCIPAL TAXPAYERS
DECEMBER 31, 2024
(UNAUDITED)

Taxpayer	Type of Property	Taxable Value by Tax Year	
		2024	2023
Brand Industrial Services, Inc	Business	\$ 11,237,530	\$ 11,532,830
Centerpoint Energy Houston	Business	5,417,630	4,800,010
Martin Mark R & Margaret J	Residence	3,500,000	3,390,943
Brand Industrial Solutions LLC	Business	5,211,400	4,904,200
TYBIN LTD	Business	3,050,000	2,807,800
Shahroodi, Shahrokh	Residence	5,649,165	3,638,650
Jackson Mable P Est	Residence & Business	7,008,214	2,718,020
SS Dickinson LP C/O Simply	Business	7,191,000	11,571,000
KW Texas Parks LLC	Business	3,245,000	3,720,000
Bacliff Jubilee RV LLC	Business	3,441,000	3,875,000
	Total	<u>\$ 54,950,939</u>	<u>\$ 52,958,453</u>
Percent of Assessed Valuation		<u>9.11</u> %	<u>9.38</u> %

BACLIFF MUNICIPAL UTILITY DISTRICT
ASSESSED VALUE BY CLASSIFICATION
DECEMBER 31, 2024
(UNAUDITED)

Classification of Assessed Valuation (a)

Type of Property	2024		2023	
	Taxable Value	%	Taxable Value	%
Single Family Residence	\$ 451,307,326	74.91	\$ 423,589,660	75.01
Multi-Family Residence	18,579,824	3.08	16,315,679	2.89
Vacant Lots and Land Tracts	12,827,517	2.13	11,972,910	2.12
Qualified Open-Space Land	900	0.00	1,030	0.00
Rural Land, Non-Qualified Open Space	4,867,802	0.81	344,160	0.06
Commercial Real Property	72,745,049	12.07	73,430,262	13.00
Gas Distribution System	1,406,050	0.23	1,253,450	0.22
Electric Company (Including Co-Op)	5,582,200	0.93	4,980,960	0.88
Telephone Company (Including Co-Op)	623,370	0.10	661,390	0.12
Railroad	478,540	0.08	463,930	0.08
Pipelane Company	866,600	0.14	773,536	0.14
Cable Television Company	627,500	0.10	666,840	0.12
Commercial Personal Property	19,174,532	3.18	19,797,510	3.51
Industrial and Manufacturing Personal Property	476,750	0.08	654,780	0.12
Tangible Other Personal Mobile Home	10,927,776	1.81	8,022,287	1.42
Residential Inventory	1,299,410	0.22	1,148,820	0.20
Special Inventory Tax	699,300	0.12	631,230	0.11
Total Appraised Value	<u>\$ 602,490,446</u>	<u>100.0</u>	<u>\$ 564,708,434</u>	<u>100.0</u>

(a) Reflects classification of assessed valuation as supplied by the Galveston Central Appraisal District ("GCAD") prior to adjustments and exemptions. Such value may differ from the original certified assessed valuation and any supplements or adjustments thereto, as supplied by GCAD.

BACLIFF MUNICIPAL UTILITY DISTRICT
ESTIMATED OVERLAPPING DEBT
DECEMBER 31, 2024
(UNAUDITED)

<u>Taxing Body</u>	<u>Amount</u>	<u>As of</u>	<u>% of Overlapping Debt</u>	<u>Amount of Overlapping Debt</u>
Clear Creek ISD	\$ 996,560,000	12/31/2024	0.02%	\$ 199,312
College of the Mainland	146,565,000	12/31/2024	2.57%	3,766,720
Dickinson ISD	435,580,000	12/31/2024	6.85%	29,837,230
Galveston Co	143,154,091	12/31/2024	0.95%	1,359,964
Texas City	9,200,000	12/31/2024	0.51%	46,920
Total Overlapping Debt:				\$ 35,210,146
Bacliff MUD		12/31/2024		\$ 8,935,000
Total District and Overlapping Debt:				<u>\$ 44,145,146</u>
Total Direct and Overlapping Debt % of A.V.:				7.32%
Total Direct and Overlapping Debt per Capita:				\$ 4,570

<u>Overlapping Entity</u>	<u>2024 Tax Rate Per \$100 A.V.</u>
Galveston County	\$ 0.333460
Road and Flood	0.000040
Dickinson ISD	1.136000
Clear Creek ISD	0.969000
College of the Mainland	0.267100
Texas City	0.488635
The District	0.227800
Total	<u>\$ 3.422035</u>

APPENDIX B
Form of Co-Bond Counsel's Opinion

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BAKER WILLIAMS
MATTHIESEN LLP

5005 Woodway Drive, Suite 201 Houston, Texas 77056
Phone: 713-888-3535 Fax: 713-888-3550
www.bwmtx.com

STEPHEN H.
DONCARLOS PLLC

P.O. Box 2531
Baytown, TX 77522

_____, 2025

We have acted as co-bond counsel (the “Co-Bond Counsel”) to Bacliff Municipal Utility District (the “Issuer”) in connection with the issuance by the Issuer of \$16,885,000.00 Crosby Municipal Utility District Unlimited Tax Bonds, Series 2025 dated _____, 2025 (the “Bonds”). In such capacity, we have examined certified copies of the proceedings related to the issuance of the Bonds, and such law, and such certified proceedings, certifications, and other documents as we have deemed necessary to give the opinions below.

Regarding questions of fact to the opinions below, we have relied on the certified proceedings and other certificates of representatives of the Issuer and certifications of others furnished to us without undertaking to verify them by independent investigation. As to certain matters of law material to the opinions below, we also have relied upon certifications of public officials.

The Bonds mature, bear interest and may be transferred and exchanged as set forth in the Bonds, and in the Bond Order of the Issuer dated _____, 2025 executed in connection therewith (the “Order”).

WE HAVE ACTED as Co-Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. We have not investigated or verified original proceeding, records, data or other material, but have relied solely upon the transcript of the certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the offer and sale of the Bonds. Our role in connection with the Issuer’s Preliminary Official Statement, dated _____, 2025 and Official Statement dated _____, 2025, prepared for use in connection with the offer and sale of the Bonds has been limited as described herein. Capitalized terms used herein but not otherwise defined shall have the meanings assigned in the Order.

IN OUR CAPACITY as Co-Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the authorization and issuance of the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; the customary certificates of officers, agents and representatives of the Issuer, the financial advisor to the Issuer (the “Financial Advisor”) and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined executed Series 2025 Bond No. T-1.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

1. The transcript of legal proceedings evidences that the Bonds are valid and binding obligations of the Issuer under the Constitution and laws of the State of Texas.
2. The Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, upon all taxable property within the Issuer.

THE RIGHTS OF THE OWNERS of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting the rights and remedies of creditors and by equitable principles, whether considered at law or in equity.

In providing such opinions, we have relied on representations of the Issuer, the Financial Advisor and the Purchaser with respect to matters solely, within the knowledge of the Issuer, the Financial Advisor and the Purchaser, respectively, which we have not been independently verified.

We express no opinion regarding the accuracy, adequacy or completeness of any disclosure documents relating to the Bonds, or regarding the perfection or priority of the lien on taxes or other funds created by the Order. We note that, unless perfected, the lien on Taxes may not be effective. Further, we express no opinion regarding the tax-exempt status of the Bonds or the tax consequences arising with respect to the Bonds. We direct you to the tax opinion of Orrick Herrington & Sutcliffe, LLP, upon which we expressly rely, for such opinion.

The opinions given in this opinion letter are given as of the date set forth above, and we assume no obligation to revise or supplement them to reflect any facts or circumstances that may later come to our attention, or any changes in law that may later occur.

Very truly yours,

Baker Williams Matthiesen LLP

Stephen H. DonCarlos PLLC

APPENDIX C
Form of Special Tax Counsel's Opinion

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Orrick, Herrington & Sutcliffe LLP

609 MAIN STREET
40TH FLOOR
Houston, TX 77002-3106

+1 713 658 6400

orrick.com

_____, 2025

Bacliff Municipal Utility District
c/o Baker Williams Matthiesen, LLP
5005 Woodway Dr., Suite 201
Houston, TX 77056

We have served as special tax counsel to Bacliff Municipal Utility District (the “Issuer”) in connection with its issuance of the Unlimited Tax Bonds, Series 2025 (the “Bonds”), in the principal amount of \$_____. The Bonds mature, bear interest and may be transferred and exchanged as set out in the order adopted by the Issuer authorizing the Bonds (the “Bond Order”).

We have served as special tax counsel for the sole purpose of rendering an opinion with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the federal income tax law and a transcript of certain certified proceedings pertaining to the issuance of the Bonds. The transcript contains certified copies of certain proceedings of the Issuer; certain certifications and representations and other material facts within the knowledge and control of the Issuer, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds.

Based on our examination as described above and in reliance on the legal opinion of Baker Williams Matthiesen LLP, as Bond Counsel, dated the date hereof, that the Bonds have been authorized and issued in accordance with the Constitution and laws of the State of Texas and are valid and legally binding obligations of the Issuer, we are of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The opinion set forth in the first sentence of the immediately preceding paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue

to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted in the Bond Order and the Federal Tax Certificate executed by the Issuer on the date hereof, to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinion is based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

Our opinion is based on existing law, which is subject to change. Such opinion is further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinion to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinion is not a guarantee of result and is not binding on the Internal Revenue Service; rather, such opinion represents our legal judgment as of the date hereof based upon our review of existing law that we deem relevant to such opinion and in reliance upon the representations and covenants referenced above.

Orrick, Herrington & Sutcliffe LLP

Financial Advisory Services
Provided By:

