

OFFICIAL STATEMENT
December 9, 2025

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)

\$12,000,000
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
(A political subdivision of the State of Texas located in Nueces, San Patricio and Aransas Counties, Texas)
UTILITY SYSTEM REVENUE BONDS, SERIES 2026

Dated Date: December 1, 2025**Due: August 1, as shown on inside cover**

The \$12,000,000 Nueces County Water Control and Improvement District No. 4 Utility System Revenue Bonds, Series 2026 (the "Bonds"), are being issued pursuant to the laws of the State of Texas (the "State"), including Article XVI, Section 59 Texas Constitution, Chapters 49 and 51 of the Texas Water Code, Chapter 1201, Texas Government Code, and an order (the "Order") adopted by the Board of Directors of the Nueces County Water Control and Improvement District No. 4 (the "District" or the "Issuer") on December 9, 2025. (See "THE BONDS – Authority for Issuance" herein.)

The Bonds are special obligations of the Issuer payable from and equally and ratably secured solely from a first and prior lien on and pledge of the Net Revenues (defined herein) derived from the operation of the Issuer's utility system (the "System"). In the Order, the Issuer has reserved the right to issue Additional Parity Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgment against the District may not be enforced against any property owned by the District. The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation. As additional security, there has been established a Reserve Fund which shall be funded in an amount at least equal to the Average Annual Debt Service Requirements (as defined in the Order) of the Bonds Similarly Secured and any Additional Parity Obligations hereinafter issued by the District. (See "THE BONDS – Source of and Security for Payment" herein). Capitalized, but undefined, terms used herein have the meanings described thereto in the Order.

Interest on the Bonds will accrue from December 1, 2025 (the "Dated Date") and is payable initially August 1, 2026 and each February 1 and August 1 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year 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 within a stated maturity, 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. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as Cede & Co., as the paying agent to 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 shall be BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

Proceeds from the sale of the Bonds will be used for the purpose of (1) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the System, and (2) paying the costs and expenses incurred in connection with issuance the Bonds. (See "THE BONDS – Use of Bond Proceeds" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS AND REDEMPTION PROVISIONS FOR THE BONDS

The Bonds are offered for delivery when, as and if issued and received by the initial purchaser thereof (the "Purchaser") and subject to the approving opinion of the Attorney General of the State and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Bonds. It is expected that the Bonds will be available for initial delivery through DTC on or about January 7, 2026.

\$12,000,000
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
(A political subdivision of the State of Texas located in Nueces, San Patricio and Aransas Counties, Texas)
UTILITY SYSTEM REVENUE BONDS, SERIES 2026

MATURITY SCHEDULE

CUSIP BASE: 67050C

\$10,600,000 Serial Bonds

Stated Maturity August 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix ^(a)
2026	\$ 220,000	6.125	3.150	AA9
2027	190,000	6.125	3.150	AB7
2028	200,000	6.125	3.150	AC5
2029	215,000	6.125	3.150	AD3
2030	225,000	6.125	3.150	AE1
2031	240,000	6.125	3.250 ⁽²⁾	AF8
2032	255,000	5.875	3.350 ⁽²⁾	AG6
2033	270,000	5.000	3.450 ⁽²⁾	AH4
2034	285,000	5.000	3.550 ⁽²⁾	AJ0
2035	295,000	4.125	3.750 ⁽²⁾	AK7
2036	310,000	4.125	3.900 ⁽²⁾	AL5
2037	320,000	4.125	4.050 ⁽²⁾	AM3
2038	335,000	4.125	4.150	AN1
2039	350,000	4.250	4.250	AP6
2040	365,000	4.250	4.350	AQ4
2041	380,000	4.375	4.430	AR2
2042	395,000	4.500	4.500	AS0
2043	415,000	4.500	4.550	AT8
2044	430,000	4.500	4.600	AU5
2045	450,000	4.625	4.650	AV3
2046	475,000	4.625	4.690	AW1
2047	495,000	4.625	4.720	AX9
2048	515,000	4.750	4.750	AY7
2049	540,000	4.750	4.770	AZ4
2050	565,000	4.750	4.790	BA8
2051	595,000	4.750	4.810	BB6
2052	620,000	4.750	4.820	BC4
2053	650,000	4.750	4.830	BD2

\$1,400,000 Term Bond

\$1,400,000 4.625% Term Bond due August 1, 2055 and priced to yield 4.900% 67050CBF7

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on or after August 1, 2031, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on August 1, 2030 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Bonds stated to mature on August 1, 2055 are subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

⁽¹⁾ 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 and are solely for the convenience of the owners and potential owners of the Bonds. No assurance can be given that the CUSIP number for a particular maturity of the Bonds will remain the same after the date of initial delivery of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield calculated is based on the assumption that the Bonds denoted and sold at premium will be redeemed on August 1, 2030, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the date of redemption.

ELECTED AND APPOINTED OFFICIALS

**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
200 HOWARD BLVD
PORT ARANSAS, TEXAS 78373**

BOARD OF DIRECTORS:

Name	Position	Current Term Expires (December)
Josh Garcia	President	2026
Walter Sohl	Vice President	2026
Suzette Freeman	Secretary	2028
James Pate	Secretary Pro-Tem	2028
Ed Reed	Director	2028

ADMINISTRATIVE OFFICIALS

Name	Position	Length of Service With District
Scott Mack	Manager	32 years
Larry Mendoza	Finance Director	5 years
Charles Zahn	Attorney	49 years

CONSULTANTS AND ADVISORS

Bond Counsel..... Norton Rose Fulbright US LLP
Austin, Texas

Certified Public AccountantAdrian Webb, CPA
Edinburg, Texas

Financial Advisor..... SAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District and the Purchaser to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Issuer described herein since the date hereof. The Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression 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 an implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

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

The Purchaser has provided the following sentence for inclusion in this Official Statement. The Purchaser has reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Purchaser does not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

None of the District, its Financial Advisor, or the Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company or its book-entry-only system, as such information has been provided by DTC.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the Purchaser. Investors should read the entire Official Statement, including all appendices attached hereto, to obtain information essential to making an informed investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the adequacy or accuracy of this document and any representation to the contrary is a criminal offense.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE INVESTORS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS".

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated 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 page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The Nueces County Water Control and Improvement District No. 4 was created by Order of the Nueces County Commissioners Court of Nueces County, Texas on November 24, 1952. The District operates under Chapters 49 and 51 of the Texas Water Code which among other things provides the Texas Commission on Environmental Quality with authority over the District. The District is managed by a Board of Directors consisting of five members elected by voters residing in the District's boundaries. The District serves customers in Nueces, San Patricio and Aransas Counties.
The Bonds	The Bonds are being issued pursuant to the laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution, Chapter 49 and 51 of the Texas Water Code, and an order (the "Order") adopted by the District's Board of Directors (the "Board") on December 9, 2025. (See "THE BONDS – Authority for Issuance" herein.)
Redemption	The District reserves the right to redeem the Bonds maturing on and after August 1, 2031, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on August 1, 2030 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. Additionally, the Bonds stated to mature on August 1, 2055 are subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar will be BOKF, NA, Dallas, Texas.
Security for Payment	The Bonds are special obligations of the Issuer payable from and equally and ratably secured solely from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer's utility system (the "System"). In the Order, the Issuer has reserved the right to issue Additional Parity Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgment against the District may not be enforced by levy and execution against any property owned by the District. The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation. As additional security, there has been established a Reserve Fund which shall be funded in an amount at least equal to the Average Annual Debt Service Requirements of the Bonds Similarly Secured and any Additional Parity Obligations (all as defined in the Order) hereinafter issued by the District. (See "THE BONDS – Source of and Security for Payment" herein.)
Book-Entry-Only System	The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings, and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and "Appendix C - Form of Opinion of Bond Counsel" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (1) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, and repairing the System, and (2) paying the costs and expenses incurred in connection with issuance the Bonds. (See "THE BONDS – Use of Bond Proceeds" herein.)
Ratings	S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "A+" to the Bonds. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Future Bond issues	The District has no plans to issue any other debt issues in the next 12 months.
Delivery	When issued, anticipated to occur on or about January 7, 2026.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas.

OFFICIAL STATEMENT
relating to
\$12,000,000
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4
(A political subdivision of the State of Texas located in Nueces, San Patricio, and Aransas Counties, Texas)
UTILITY SYSTEM REVENUE BONDS, SERIES 2026

INTRODUCTORY STATEMENT

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the Nueces County Water Control and Improvement District No. 4 (the “District” or “Issuer”) of its \$12,000,000 Utility System Revenue Bonds, Series 2026 (the “Bonds”) identified on page 2 hereof.

The District is a political subdivision of the State of Texas and the Bonds are being issued pursuant to the laws of the State of Texas (the “State”), including Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and an order (the “Order”) adopted by the Board of Directors (the “Board”) of the District on December 9, 2025, being the date of sale of the Bonds (see “THE BONDS—Authority for Issuance” herein).

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order. Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** A copy of such documents may be obtained upon request from the District or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the District. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Bonds will be filed by the Purchaser with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the District’s undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Order.

THE BONDS

General Description

Interest on the Bonds will accrue from December 1, 2025 (the “Dated Date”) and is payable initially August 1, 2026 and each February 1 and August 1 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year 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 within a stated maturity, 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. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as Cede & Co., as the paying agent to 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 shall be BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

If the specified date for any payment of principal of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent for banking institutions generally in the city in which Designated Payment Transfer Office of the Paying Agent/Registrar is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used for the purpose of (1) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, and repairing the Issuer utility system (the “System”), and (2) paying the costs and expenses incurred in connection with issuance the Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources	
Par Amount of the Bonds	\$ 12,000,000.00
Accrued Interest on the Bonds	57,249.38
Net Premium on the Bonds	<u>64,727.65</u>
Total Sources of Funds	<u>\$12,121,977.03</u>
Uses	
Project Fund Deposit	\$ 11,413,298.25
Purchasers' Discount	185,869.40
Bond Fund Deposit	57,249.38
Costs of Issuance	<u>465,560.00</u>
Total Uses	<u>\$12,121,977.03</u>

Authority for Issuance

The Bonds are being issued pursuant to the laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and an order (the "Order") adopted by the Board of Directors of the Nueces County Water Control and Improvement District No. 4 (the "District" or the "Issuer") on December 9, 2025, being the date of sale of the Bonds.

Source of and Security for Payment

The Bonds are special obligations of the Issuer payable from and equally and ratably secured solely from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer's utility system (the "System"). In the Order, the Issuer has reserved the right to issue Additional Parity Obligations and Subordinate Lien Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgment against the District may not be enforced by levy and execution against any property from taxation.

Perfection of Security for the Bonds

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the Net Revenues to secure the Bonds, and such pledge is therefore, valid, effective and perfected. Should Texas law be amended while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Net Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and 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 Order to take such measures as it determines reasonable and necessary to enable a filing of a security interest in said pledge to occur.

Flow of Funds

The District hereby covenants and agrees that deposits into the Revenue Fund shall be pledged and appropriated to the extent require for the following uses and in the order of priority shown:

- First: To the payment of all necessary and reasonable Maintenance and Operating Expenses or other expenses required by statute to be a first charge on and claim against the revenues of the System.
- Second: To the payment of the amounts required to be deposited in the Bond Fund created and established for the payment of Debt Service Requirements on the Bonds Similarly Secured (including the Bonds) and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Bonds Similarly Secured, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a prior and first lien on and pledge of the Net Revenues of the System, as the same becomes due and payable.
- Third: To the payment of the amounts required to be deposited in the interest and sinking fund created and established for the payment of debt service requirements on the Subordinate Lien Obligations and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Subordinate Lien Obligations, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a lien on and pledge of the Pledged Revenues, as the same becomes due and payable.

Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other District purpose now or hereinafter permitted by law.

Reserve Fund

To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the Required Reserve Amount) equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds or the most recently issued series of Additional Parity Obligations then Outstanding) for the Bonds Similarly Secured, the District hereby confirms the creation and establishment, and agrees to continue to maintain a separate and special fund or account known as the "Nueces County Water Control and Improvement District No. 4 Revenue Bond Reserve Fund (the Reserve Fund), which fund or account shall be maintained at the Depository. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund established in Section 12 of the Order during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds Similarly Secured.

Until the issuance of any Additional Parity Obligations, the Required Reserve Amount shall be \$742,753.34, which shall be accumulated, if necessary, in the following manner. Beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers and on or before the tenth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the District covenants and agrees to deposit to the Reserve Fund from the Net Revenues of the System, or any other lawfully available funds, an amount not less than \$12,379.22, being the Required Reserve Fund Deposits.

As and when Additional Parity Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Parity Obligations, or, at the option of the District, by the deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of the then proposed Additional Parity Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Parity Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Parity Obligations as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to said fund or account from the Net Revenues of the System, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the tenth day of each month until the Required Reserve Amount has been fully restored. The District further covenants and agrees that, subject only to the prior payments to be made to the Bond Fund and as required by the orders authorizing the issuance of any Additional Parity Obligations hereafter issued by the District, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of the Order and any other order pertaining to the issuance of any Additional Parity Obligations.

During such time as the Reserve Fund contains the Required Reserve Amount, the District may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the Revenue Fund (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

To the extent permitted by law, the District expressly reserves the right at any time to fund the Reserve Fund at the Required Reserve Amount by purchasing a Credit Facility that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve Amount in the event funds on deposit in the Bond Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. All orders adopted after the date hereof authorizing the issuance of Additional Parity Obligations shall contain a provision to this effect.

In the event a Credit Facility issued to satisfy all or part of the District's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve Amount, the District may transfer such excess amount to any fund or account established for the payment of or security for the Bonds Similarly Secured (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

Notwithstanding anything to the contrary contained in this Section, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve Amount shall be suspended for any Bonds Similarly Secured (including with respect to the Bonds) for such time as the Net Revenues for each Fiscal Year are equal to at least 120% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured outstanding. In the event that the Net Revenues for any Fiscal Year are less than 120% of the Average Annual

Debt Service Requirements, the District will be required to commence making the deposits to the Reserve Fund as of the next Fiscal Year, as provided above, and to continue making such deposits until the earlier of (a) such time as the Reserve Fund contains the Required Reserve Amount or (b) the Net Revenues in each of two consecutive Fiscal Years have been equal to not less than 120% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured then outstanding.

(See APPENDIX E – Selected Provisions of the Order.)

Rate Covenant

Pursuant to the Order, the District has agreed that it will maintain rates and charges for water service furnished, provided and supplied by the System to customers which shall be reasonable and non-discriminatory and which will produce income and revenues sufficient to pay (i) all necessary and reasonable Maintenance and Operating Expenses, depreciation, replacement and betterment expenses and other costs of the System; (ii) the interest on and principal of the Bonds Similarly Secured as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Bonds Similarly Secured; (iii) the interest on and principal of the Subordinate Lien Obligations as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Inferior Lien Obligations; and (iv) any legal debt or obligation of the System as and when the same shall become due. The District shall also fix and maintain rates and collect charges for the facilities and services afforded by the System, which will produce Net Revenues equal to at least 1.10 times the Debt Service Requirements due and payable on the outstanding Bonds Similarly Secured. (See “APPENDIX E - Selected Provisions of the Order” herein).

Additional Parity Obligations

The District reserves the right to issue “Additional Parity Obligations” on a parity with the Parity Obligations in that (i) the District is not then in default as to any covenant, condition or obligation prescribed by the orders or resolutions authorizing the issuance of the Bonds Similarly Secured, (ii) each of the funds created solely for the payment of principal of and interest on the Bonds Similarly Secured contains the amounts of money then required to be on deposit therein and (iii) the District obtains a certificate from the General Manager to the effect that, according to the books and records of the District, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 15 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to one and one-fourth (1.25) times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Obligations then proposed. (See “APPENDIX E - Selected Provisions of the Order” herein).

Redemption Provisions of the Bonds

Optional Redemption: The District reserves the right to redeem the Bonds maturing on and after August 1, 2031, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on August 1, 2030, or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing on August 1, 2055 (the “Term Bonds”) will also be subject to mandatory sinking fund redemption. The Term Bonds are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer at the redemption prices equal to the principal amounts thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

Term Bond August 1, 2055	
<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2054	\$685,000
August 1, 2055*	715,000

* Payable at Stated Maturity

The principal amount of Term Bonds required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to a mandatory redemption date (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Selection of Bonds to be Redeemed

The Bonds of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Bonds to be partially redeemed must be surrendered in exchange for one or more new Bonds for the unredeemed portion of the principal.

If less than all of the Bonds are to be redeemed, the District will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to select, at random and by lot, the particular Bonds, or portion thereof, to be redeemed. If a Bond (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Bond (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption of the Bonds

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Order, such Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bonds (or principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bonds shall not be deemed to be outstanding.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of any Bond, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC (defined herein). Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. (See "THE BONDS - Book-Entry-Only System" herein).

Legality

Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas.

Defeasance

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Securities" means (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 of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of

the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment 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 District's right to redeem Bonds defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Default and Remedies

If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. 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. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Special districts, such as the District, must obtain the approval of the Texas Commission on Environmental Quality ("TCEQ") as a condition of seeking relief under Chapter 9. TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under Chapter 9 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. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, if the District is permitted to proceed with Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The District may not be placed into bankruptcy involuntarily. The opinion of Bond Counsel will Bond that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous

Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or 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, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission (the "SEC"). Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

Record Date

The record date ("Record Date") for determining the registered owner entitled to receive the interest payable on a Bond on any interest payment date means the fifteenth day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar.

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice.

The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer of Bonds

Neither the Issuer nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, within 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 called for redemption in part.

Replacement Bonds

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, 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 District, the Financial Advisor, and the Purchasers 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 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 Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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).

Redemption proceeds, principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payment 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 nor its nominee, 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 redemption proceeds, principal premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates representing each Bond stated maturity are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates representing each Bond stated maturity will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor, and the Purchasers believe to be reliable, but none of the District, the Financial Advisor, or the Purchasers take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Order will be given only to DTC.

THE DISTRICT AND THE SYSTEM

Authority

Nueces County Water Control and Improvement District No. 4 (the "District") was created and established under the authority of Article XVI, Section 59 of the Constitution of Texas and Chapter 3A, Title 128 V.A.T.C.S. (now codified in V.T.C.A., Water Code, Chapter 51) by the Commissioners Court of Nueces County, Texas on November 24, 1952, and its organization was subsequently confirmed by qualified voters within the District on December 23, 1952. The Board of Directors (Board) held its first meeting on November 25, 1952, and the first bonds were issued September 1, 1959. The District has contracts to purchase water from the City of Corpus Christi, Texas ("City") and San Patricio Municipal Water District ("SPMWD").

Nueces County Water Control and Improvement District No. 4 Water Infrastructure

The water supply contract with SPMWD requires the District to purchase 12 million gallons per month. The District is subject to a penalty for each month in which purchases are less than 12 million gallons. The penalty rate is determined by subtracting SPMWD's cost of water plus estimated pumping charges from the current rate. The penalty is computed by multiplying the penalty rate times the difference between 12 million gallons and the District's actual purchases.

Because SPMWD purchases 100% of its water from the City of Corpus Christi, the District's sole source of water is, in effect, the City of Corpus Christi. However, this arrangement allows for water deliveries from two different sides of the island on which the majority of the District is located.

The total acreage of the District at the time of its creation was 44,849 acres, or 70.07 square miles. The current acreage of the District is 45,924.35 acres or 71.79 square miles. The District added 1,075.35 acres through acquisition or annexations.

The District is located on north end of Mustang Island and along Harbor Island to the City of Aransas Pass, Texas. The City of Port Aransas is encompassed within the District.

The District Office is 8.5 miles from City of Aransas Pass east along State Highway 361 and south along Alister St. in Port Aransas, Texas. The District Office is 5.7 miles northeast along State Highway 361 from City of Corpus Christi, Texas city limits. District residents access the District from the west along Mustang Island via State Highway 361 from City of Corpus Christi and from the north along Harbor Island via State Highway 361 from City of Aransas Pass, Texas.

District is located in the city limits of Port Aransas, Texas, Corpus Christi, Texas and Aransas Pass, Texas.

ENVIRONMENTAL REGULATION

Wastewater treatment and water supply facilities, such as the System, are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution; and
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water 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 as to future compliance of and the ability to operate the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, municipal utility and special district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utilities and special 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 non-stormwater 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 and special district must comply may have an impact on a municipal utility or special district's ability to obtain and maintain compliance with TPDES permits.

INVESTMENT POLICIES

The District invests its investable funds in investments authorized by State law, including Chapter 2256, as amended, Texas Government Code (the "Texas Public Funds Investment Act"), and in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change.

Legal Investments

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) Bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of Bond

proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding Bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District's investments 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." The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments ⁽¹⁾

TABLE 1

As of September 30, 2025

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Money Markets	\$ 2,512,665	25.46%
Other	<u>7,355,748</u>	<u>74.54%</u>
Total	<u>\$ 9,868,413</u>	<u>100.00%</u>

⁽¹⁾ Unaudited.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Issuer made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Order by the Issuer subsequent to the issuance of the Bonds. The Order contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is

not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Issuer may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Tax Changes

Existing law may change to reduce or eliminate the benefit to Bond holders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Tax Accounting Treatment of Discount Bonds

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

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

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

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the “Premium Bonds”). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes

premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable Bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable Bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made 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 events to the MSRB. The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in Appendix A to this Official Statement and in Appendix D. The District will update and provide this information within six (6) months after the end of each fiscal year ending in and after 2025. The District will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial information by the required time and will provide 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 Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is September 30. Accordingly, audited financial statements must be provided by March 31 of each year (or unaudited financial statements if audited financial statements are not available), unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders 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, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the District, any of which reflect financial difficulties. In the Order, the District has adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Bonds nor the Order make provision for credit enhancement, or liquidity enhancement.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing

governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 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 to adapt to 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 the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 or beneficial owners of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data 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 information and data provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchaser from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Undertakings

During the past 5 years, the District has not had a continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Order, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the District in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical and technical data) the information under the captions "THE BONDS" (except under the subcaptions, "Use of Bond Proceeds", "Sources and Uses of Funds", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

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.

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

Legal Investments and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, Texas Water Code and Chapter 1201, Texas Government Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for public funds of cities, counties, school districts and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments of such entity's funds or to be eligible to serve as collateral for their funds.

The District makes no representation that the Bonds will be acceptable to banks, savings and loans associations, or public entities for investment purposes or to secure deposits of public funds. The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the legality or suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Bonds have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

Ratings

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "A+" to the Bonds. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The municipal bond rating is not a recommendation to buy, sell, or hold the Bonds. The rating fees of S&P will be paid by the District.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Bonds.

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

Winning Bidder

After requesting competitive bids for the Bonds, the District accepted the bid of Robert W. Baird & Co., Inc., (the "Purchaser" or the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net original reoffering premium of \$64,727.65, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The District can give no assurance that any trading market will be developed for the District after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate, executed by proper officers of the District, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District.

Information from External Sources

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.

Concluding Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

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.

The Order authorizing the issuance of the Bonds approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Purchasers.

This Official Statement has been approved by the Board for distribution in accordance with the provisions of the Rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

/s/ Josh Garcia

President, Board of Directors

ATTEST:

/s/ Suzette Freeman

Secretary, Board of Directors

APPENDIX A

**FINANCIAL INFORMATION RELATING TO
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

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FINANCIAL INFORMATION OF THE ISSUER

UTILITY SYSTEM DEBT DATA

TABLE 1

Utility System Revenue Bonds, Series 2026 (The "Bonds")	\$ 12,000,000
---	---------------

OTHER OBLIGATIONS

TABLE 2

May 13, 2025 the District issued and privately placed a \$13,898,775 bond anticipation note (the "Note") that will mature in full May 12, 2026. The Note was issued to begin the improvements related to the Bonds. The Note will be defeased on January 8, 2026 utilizing bond proceeds.

GENERAL FUND STATEMENT OF REVENUES AND EXPENDITURES

TABLE 3

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.

Fiscal Year Ended

	<u>9/30/2024</u>	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>
Revenues	\$ 8,097,631	\$ 8,288,728	\$ 8,213,258	\$ 7,679,714	\$ 6,694,645
Expenditures	\$ 6,429,774	\$ 6,300,898	\$ 6,235,086	\$ 5,165,027	\$ 5,161,539
Available for Revenue Bond Debt Service	\$ 1,667,857	\$ 1,987,830	\$ 1,978,172	\$ 2,514,687	\$ 1,533,106
Water Connections	5,129	4,779	4,658	4,409	4,150
Gallons Billed to Customers	684,662,000	800,331,000	582,020,000	593,499,000	593,499,000

Source: The District's Annual Financial Reports and information provided by the District.

FUND BALANCES*(As of September 30, 2025 Unaudited)*

Operating Fund	\$	526,437
Reserve Fund		<u>17,789,393</u>
Total	\$	<u>18,315,831</u>

*Source: Information provided by the District.***UTILITY SYSTEM REVENUE DEBT****TABLE 4**

Fiscal Year 30-Sep	The Bonds		
	Principal	Interest	Total Debt Service
2026	\$ 220,000	\$ 381,663	\$ 601,663
2027	190,000	559,019	749,019
2028	200,000	547,381	747,381
2029	215,000	535,131	750,131
2030	225,000	521,963	746,963
2031	240,000	508,181	748,181
2032	255,000	493,481	748,481
2033	270,000	478,500	748,500
2034	285,000	465,000	750,000
2035	295,000	450,750	745,750
2036	310,000	438,581	748,581
2037	320,000	425,794	745,794
2038	335,000	412,594	747,594
2039	350,000	398,775	748,775
2040	365,000	383,900	748,900
2041	380,000	368,388	748,388
2042	395,000	351,763	746,763
2043	415,000	333,988	748,988
2044	430,000	315,313	745,313
2045	450,000	295,963	745,963
2046	475,000	275,150	750,150
2047	495,000	253,181	748,181
2048	515,000	230,288	745,288
2049	540,000	205,825	745,825
2050	565,000	180,175	745,175
2051	595,000	153,338	748,338
2052	620,000	125,075	745,075
2053	650,000	95,625	745,625
2054	685,000	64,750	749,750
2055	<u>715,000</u>	<u>33,069</u>	<u>748,069</u>
	\$ 12,000,000	\$ 10,282,600	\$ 22,282,600

PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 30 September	Principal Repayment		Bonds Unpaid at End of Year	Percent of Principal Retired (%)
	Schedule	The Bonds		
2026	\$	220,000	\$ 11,780,000	1.8%
2027		190,000	11,590,000	3.4%
2028		200,000	11,390,000	5.1%
2029		215,000	11,175,000	6.9%
2030		225,000	10,950,000	8.8%
2031		240,000	10,710,000	10.8%
2032		255,000	10,455,000	12.9%
2033		270,000	10,185,000	15.1%
2034		285,000	9,900,000	17.5%
2035		295,000	9,605,000	20.0%
2036		310,000	9,295,000	22.5%
2037		320,000	8,975,000	25.2%
2038		335,000	8,640,000	28.0%
2039		350,000	8,290,000	30.9%
2040		365,000	7,925,000	34.0%
2041		380,000	7,545,000	37.1%
2042		395,000	7,150,000	40.4%
2043		415,000	6,735,000	43.9%
2044		430,000	6,305,000	47.5%
2045		450,000	5,855,000	51.2%
2046		475,000	5,380,000	55.2%
2047		495,000	4,885,000	59.3%
2048		515,000	4,370,000	63.6%
2049		540,000	3,830,000	68.1%
2050		565,000	3,265,000	72.8%
2051		595,000	2,670,000	77.8%
2052		620,000	2,050,000	82.9%
2053		650,000	1,400,000	88.3%
2054		685,000	715,000	94.0%
2055		715,000	-	100.0%
	\$	<u>12,000,000</u>		

CAPITAL ASSETS**TABLE 5**

Capital asset activity for the year ended September 30, 2024 was as follows:

	Beginning Balance		Transfers/ Disposals	Ending Balance
	10/01/2023	Additions		09/30/2024
Land	\$ 1,314,158	\$ -	\$ -	\$ 1,314,158
Construction in progress	4,021,005	4,006,752	-	8,027,757
Buildings	7,338,443	-	-	7,338,443
Water System	25,014,291	599,295	-	25,613,586
Waste Water System	34,270,306	1,335,375	-	35,605,681
Machinery and Equipment	892,479	14,131	-	906,610
Automobiles and Trucks	647,281	60,704	(29,445)	678,540
Office Furniture and Equipment	<u>175,975</u>	<u>44,511</u>	-	<u>220,486</u>
Totals	<u>\$ 73,673,938</u>	<u>\$ 6,060,768</u>	<u>\$ (29,445)</u>	<u>\$ 79,705,261</u>
Less: Accumulated Depreciation	<u>\$ (25,152,703)</u>	<u>\$ (1,910,071)</u>	<u>\$ 29,437</u>	<u>\$ (27,033,337)</u>
Capital Assets, Net	<u>\$ 48,521,235</u>	<u>\$ 4,150,697</u>	<u>\$ (8)</u>	<u>\$ 52,671,924</u>

Source: The District's Annual Financial Reports and information provided by the District.

HISTORICAL PRODUCTION AND CONSUMPTION DATA**TABLE 6**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Production:					
Gallons pumped into System	641,362,000	668,948,000	685,933,000	609,255,000	639,374,000
Usage:					
Total Water/Wastewater Customers	5,129	4,779	4,658	4,409	4,150
Total Gallons Billed	684,662,000	800,331,000	582,020,000	593,499,000	593,499,000
Average Monthly Usage Per User (Gallons)	11,124	13,956	10,413	11,218	11,918
Percentage Water Loss in System	-6.75% *	-19.64% *	15.15%	2.59%	7.17%

Source: The District's Annual Financial Reports and information provided by the District.

* The District attributes the over collection of revenues compared to water usage to a faulty water meter with the City of Corpus Christi which has since been replaced.

WATER & WASTEWATER RATES**TABLE 7**

[Based on Monthly Billing]

Amended Rates Effective 10/1/2025
 Water & Sewer Rates Effective 1/1/2026

Water and Wastewater Rates			
Meter Size	Water Rate*	Wastewater Rate*	Connect Fee/ Workorder
	Minimum includes first 2000 gallons		
3/4"	\$25.41	\$24.20	\$45.00
1"	\$40.43	\$38.50	\$45.00
1 1/2"	\$77.96	\$74.25	\$45.00
2"	\$127.05	\$121.00	\$45.00
3"	\$231.00	\$220.00	\$45.00
4"	\$386.93	\$368.50	\$45.00
Usage per 1000 gallons over minimum	\$6.12	\$4.24	
* Each individual metered apartment, SF Unit, RV, etc are subject to SF min sewer			
Approved sewer dump and refill max. 2000 gallons			\$100.00

Source: Information provided by the District.

TOP 10 USERS - 2024**TABLE 8**

Account Name	Gallons	% of Total
KM Beach LLC	70,494,000	10.30%
Port Royal Condo	13,131,000	1.92%
University of Texas	12,397,000	1.81%
Gul Waters RV Resort	8,146,000	1.19%
Sandcastle Condos - Owners	4,897,000	0.72%
Nueces County - I.B. Magee	4,627,000	0.68%
Aransas Princess Condos	4,156,000	0.61%
Sea Gull Condo	3,995,000	0.58%
Sandpiper Condo	3,883,000	0.57%
Hampton Inn & Suites	3,757,000	0.55%
	129,483,000	18.91%

Source: Information provided by the District.

EMPLOYEE'S PENSION PLAN

The District participates in the Texas County and District Retirement System.
 Information regarding the District's pension plan can be found within their audit "NOTE 5 - PENSIONS,
 page 24.

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APPENDIX B

**GENERAL INFORMATION REGARDING THE
NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

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NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

Nueces County Water Control and Improvement District No. 4 is located in Nueces, San Patricio and Aransas Counties and includes the City of Port Aransas.

The total acreage of the District at the time of its creation was 44,849 acres, or 70.07 square miles. The current acreage of the District is 45,924.35 acres or 71.79 square miles. The District added 1,075.35 acres through acquisition or annexations.

The District is located on north end of Mustang Island and along Harbor Island to the City of Aransas Pass, Texas. The City of Port Aransas is encompassed within the District.

The District provides water service to developed lands from the North boundary of Mustang Island State Park to the Corpus Christi ship channel, including Harbor Island. By agreement with the City of Corpus Christi, responsibility for providing water from the North boundary of Mustang Island State Park to the South rests with the City of Corpus Christi

The District Office is 8.5 miles from City of Aransas Pass east along State Highway 361 and south along Alister St. in Port Aransas, Texas. The District Office is 5.7 miles northeast along State Highway 361 from City of Corpus Christi, Texas city limits. District residents access the District from the west along Mustang Island via State Highway 361 from City of Corpus Christi and from the north along Harbor Island via State Highway 361 from City of Aransas Pass, Texas.

District is located in the city limits of Port Aransas, Texas, Corpus Christi, Texas and Aransas Pass, Texas.



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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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January 7, 2026

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

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FINAL

IN REGARD to the authorization and issuance of the “Nueces County Water Control and Improvement District Number 4 Utility System Revenue Bonds, Series 2026” (the *Bonds*), dated December 1, 2025, in the aggregate principal amount of \$12,000,000, we have reviewed the legality and validity of the issuance thereof by the Board of Directors of the Nueces County Water Control and Improvement District Number 4 (the *District*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple in excess thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 1 in each of the years 2026 through 2053 and August 1, 2055, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the District solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the District or the District’s utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the District’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon, (1) original or certified copies of the proceedings of the Board of Directors of the District in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the District; (3) certificates executed by officers of the District relating to the expected use and investment of proceeds of the Bonds and certain other funds of the District, and to certain other facts solely within the knowledge and control of the District; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the District, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss Verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER 4 UTILITY SYSTEM REVENUE BONDS, SERIES 2026”

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding special obligations of the District enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues (as defined in the Order) derived from the operation of the System (as defined in the Order). In the Order, the District retains the right to issue Additional Parity Obligations (as defined in the Order) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the District, except with respect to the Net Revenues. The holder of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation. The pledge of Net Revenues is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the District with the provisions of the Order and in reliance upon the representations and certifications of the District made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER 4 UTILITY SYSTEM REVENUE BONDS, SERIES 2026”

attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

(Independent Auditor's Report, General Financial Statements and Bonds to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the Annual Financial Report for further information)

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NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTMEBER 30, 2024

PORT ARANSAS, TEXAS



ADRIAN WEBB, CPA

Certified Public Accountant

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
ANNUAL FINANCIAL REPORT
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ADRIAN WEBB, CPA

Certified Public Accountant

Independent Auditor's Report

To the Board of Directors
Nueces County Water Control & Improvement District No. 4
Port Aransas, Texas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Nueces County Water Control & Improvement District No. 4 (the "District") as of and for the year ended September 30, 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 September 30, 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.

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, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of employer pension contributions, and schedule of changes in District's total OPEB liability and related ratios, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 my inquiries, the basic financial statements, and other knowledge we obtained during the 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 me 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, 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.

Adrian Webb, CPA

Adrian Webb, CPA

Edinburg, Texas

January 28, 2025

Nueces County Water Control & Improvement District No. 4
Management's Discussion and Analysis
For the Year Ended September 30, 2024

This section of Nueces County Water Control & Improvement District No. 4's (the "District") discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended September 30, 2024, based on currently known facts, decisions, or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the five members of the Board of Directors (the "Board"). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity and identify changes in the District's financial position. As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes that are provided in addition to this MD&A.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to 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 basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Statements

Table A-1 (Page 6)

- Net positions as of September 30, 2024, and September 30, 2024, were \$66,590,374 and \$63,308,504.
- Net positions increased (decreased) by \$3,382,499 and \$6,691,749.

Table B-1 (Page 6)

- Services fees and other revenues for the year ended September 30, 2024, and September 30, 2024, totaled \$12,151,905 and \$14,791,966.
- Expenses for the year ended September 30, 2024, and September 30, 2024, totaled \$8,787,107, and \$8,100,217.

Fund Statements – Exhibit C1 – C4 (Pages 8-11)

- General Fund revenues totaled \$8,097,631 and \$8,288,728, resulting in a decrease of \$115,627.
- General Fund expenditures totaled \$6,429,774 and \$6,300,898, an increase of \$128,876.
- Capital Projects Fund revenues totaled \$2,244,309 and \$2,335,785, a decrease of \$91,476.
- Capital Projects Fund expenditures totaled \$4,229,084 and \$3,714,572 an increase of \$514,512.

General Information

- The District had no authorized and unissued debt. All bonds were paid off in prior years.

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 like 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 all the District's assets, liabilities and deferred inflows and 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 as a whole 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. These activities are financed primarily by user fees.

Nueces County Water Control & Improvement District No. 4
Management's Discussion and Analysis
For the Year Ended September 30, 2024

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 two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs, and general expenditures. The Capital Projects Fund accounts for financial resources restricted, committed, or assigned for acquisition or construction of facilities and related costs. The District has only one of the three different types of funds.

- *Governmental funds*—All of the District's services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between the two financial statements.
- *Proprietary Funds* – Although the District's operations are similar to those ordinarily accounted for in Proprietary Funds, the District has chosen to report its operations in Governmental funds.
- *Fiduciary Funds*—The District has no Fiduciary Funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District did not revise its budget. Although the District is required to adopt an annual budget, the adopted budget does not represent the District's legal authority to make expenditures or incur liabilities. Management utilizes the budget primarily for planning purposes. Budget variances are "Favorable" if actual revenues exceed budgeted amounts and if actual expenditures are under budgeted amounts. Variances are "Unfavorable" if actual revenues are under budgeted amounts and if actual expenditures are over budgeted amounts. Favorable variances are indicated by showing amounts without brackets and unfavorable variances are indicated by bracketed amounts. Excluding interfund transfers, overall budget variances for the current year were favorable. As a result, the transfer to the Capital Projects Fund is less than originally budgeted.

NOTE 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.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balances as of September 30, 2024, were \$15,710,658, a decrease of \$316,917, from the prior year. The General Fund balance remained the same as a result of service revenues, the costs of operating and maintaining the District's facilities, and transfers to the Capital Projects Fund. The Capital Projects Fund balance decreased by \$316,917 due to Capital Expenditures and transfers from the General Fund.

Nueces County Water Control & Improvement District No. 4
Management's Discussion and Analysis
For the Year Ended September 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$66,590,374 as of September 30, 2024. A portion of the District's net position reflects its net investment in capital assets (land, buildings, and equipment as well as the water and wastewater facilities, less any debt used to acquire those assets that are still outstanding). The following table provides a summary of the district's operations for the year ending September 30, 2024:

Exhibit A-1 – Statement of Net Position

	September 30, 2024	September 30, 2023	Increase (Decrease)	
			\$	%
ASSETS & DEFERRED OUTFLOWS:				
Current Assets:				
Current & Other Assets	\$ 16,602,856	\$ 17,324,621	\$ (721,765)	-4%
Capital Assets - Net	52,671,924	48,521,236	4,150,688	9%
Deferred Outflows of Resources	644,824	816,758	(171,934)	-21%
Total Assets & Other Deferred Outflows	<u>\$ 69,919,604</u>	<u>\$ 66,662,615</u>	<u>\$ 3,256,989</u>	<u>5%</u>
LIABILITIES & DEFERRED INFLOWS:				
Current liabilities:				
Accounts payable	\$ 299,668	\$ 517,621	\$ (217,953)	-42%
Security Deposits	592,530	564,425	28,105	5%
Long-Term liabilities	2,098,393	1,832,143	266,250	15%
Deferred Inflows of Resources	338,639	439,902	(101,263)	-23%
Total Liabilities & Deferred Inflows:	<u>3,329,230</u>	<u>3,354,091</u>	<u>(24,861)</u>	<u>-1%</u>
NET POSITION:				
Invested in Capital Assets-Net	52,671,924	48,521,236	4,150,688	9%
Restricted	15,160,658	15,578,224	(417,566)	-3%
Unrestricted	(1,242,208)	(790,936)	(451,272)	57%
Total Net Position	<u>66,590,374</u>	<u>63,308,524</u>	<u>3,281,850</u>	<u>5%</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 69,919,604</u>	<u>\$ 66,662,615</u>	<u>\$ 3,256,989</u>	<u>5%</u>

Exhibit B-1 – Revenues, Expenses, and Changes in Net Position

	September 30, 2024	Total Percentage	September 30, 2023	Total Percentage	Increase (Decrease)	
					\$	%
Revenues:						
Service Fees	\$ 8,047,555	66%	\$ 8,248,584	56%	\$ (201,029)	-2%
Capital Impact Fees	1,459,860	12%	1,788,468	12%	(328,608)	-18%
Investment Earnings	735,029	6%	491,044	3%	243,985	50%
Developer Contributions	1,827,665	15%	4,167,453	28%	(2,339,788)	-56%
Miscellaneous	17,700	0%	-	0%	17,700	100%
FEMA & TDEM Proceeds	81,797	1%	96,416	1%	(14,619)	-15%
Total Revenues	<u>\$ 12,169,606</u>	<u>100%</u>	<u>\$ 14,791,965</u>	<u>100%</u>	<u>\$ (2,622,359)</u>	<u>-18%</u>
Expenses:						
Water Purchased	\$ 2,103,630	17%	\$ 1,976,952	24%	\$ 126,678	6%
Personnel Costs	2,970,454	24%	2,496,537	31%	473,917	19%
Professional Fees	86,180	1%	120,665	1%	(34,485)	-29%
Repairs & Maintenance	912,460	7%	831,380	10%	81,080	10%
Utilities	327,366	3%	362,113	4%	(34,747)	-10%
Other Recurring Operations	476,946	4%	503,631	6%	(26,685)	-5%
Depreciation	1,910,071	16%	1,808,939	22%	101,132	6%
Total Expenses	<u>\$ 8,787,107</u>	<u>100%</u>	<u>\$ 8,100,217</u>	<u>100%</u>	<u>\$ 686,890</u>	<u>8%</u>
Increase (Decrease) in Net Position	<u>\$ 3,382,499</u>		<u>\$ 6,691,748</u>		<u>\$ (3,309,249)</u>	<u>-49%</u>

Nueces County Water Control & Improvement District No. 4
Management's Discussion and Analysis
For the Year Ended September 30, 2024

CAPITAL ASSETS

The District has invested \$52,672,924 (net of depreciation) in a broad range of capital assets, including buildings, water/wastewater distribution/collection systems, equipment, and vehicles.

Description	Amount		
	September 30, 2024	September 30, 2023	Change
Land, Easements, and Right-of Ways	\$ 1,314,158	\$ 1,314,158	\$ -
Construction in Progress	8,027,757	4,021,005	4,006,752
Buildings, Net	6,590,038	6,778,707	(188,669)
Water System, Net	16,121,292	16,089,857	31,434
WasteWater System, Net	19,946,026	19,595,627	350,399
Machinery and Equipment, Net	460,707	520,230	(59,523)
Automobiles and Trucks, Net	139,835	156,892	(17,057)
Office Furniture and Equipment, Net	72,111	44,759	27,353
Total Capital Assets, Net	\$ 52,671,924	\$ 48,521,236	\$ 4,150,689

DEBT ADMINISTRATION

The District had a balance of \$2,108,393 in Long-Term Liabilities consisting of Pension/OPEB liabilities and Compensated Absences.

Description	Amount		
	September 30, 2024	September 30, 2023	Change
Net Pension Liability (Asset)	\$ 187,502	\$ (114,351)	\$ 301,853
Net OPEB Liability (Asset)	1,836,610	1,767,173	69,437
Compensated Absences	74,281	64,970	9,311
Total Long-Term Liabilities	\$ 2,098,393	\$ 1,717,792	\$ 380,601

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- General Operating revenues are budgeted to increase \$659,300 to \$9,463,525.
- General Operating fund spending for next year is budgeted to increase \$824,044 to \$7,312,032. The increases(decreases) are as follows:
 - Water Purchases - \$72,739
 - Personnel Costs - \$219,785
 - Repairs and Maintenance - \$154,692
 - Professional Fees- \$32,799
 - Recurring Operations- \$(23,471)
 - Capital Outlay - \$(43,281)
- Water purchases are expected to increase as sales of water is expected to increase. Changes in personnel expenditures are due to the salary increases and other personnel costs that are directly related to wages paid. The cost of recurring operations is not expected to change significantly.
- Funds are available in the Capital Projects Fund to pay for all anticipated capital asset acquisitions and major repairs.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, patrons, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Office at 200 Howard Boulevard, Port Aransas, Texas, 78373 or call (361) 749-5201.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
Statement of Net Position and Governmental Funds Balance Sheet
As of September 30, 2024

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and Cash Equivalents	\$ 332,152	\$ 7,918,344	\$ 8,250,496	\$ -	\$ 8,250,496
Investments	-	7,328,192	7,328,192	-	7,328,192
Receivables:					
Utility Customers	696,371	-	696,371	-	696,371
Due From Other Governments	170,046	-	170,046	-	170,046
Accrued Interest	-	66,332	66,332	-	66,332
Inventories, at Cost	91,419	-	91,419	-	91,419
Internal Balances	147,861	(147,861)	-	-	-
Net Pension Asset	-	-	-	-	-
Capital Assets, Net	-	-	-	52,671,924	52,671,924
TOTAL ASSETS	1,437,849	15,165,007	16,602,856	52,671,924	69,274,780
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows Related to Pension	-	-	-	644,824	644,824
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	644,824	644,824
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,437,849	\$ 15,165,007	\$ 16,602,856	\$ 53,316,748	\$ 69,919,604
LIABILITIES					
Accounts Payable	\$ 295,319	\$ 4,349	\$ 299,668	\$ -	\$ 299,668
Security Deposits	592,530	-	592,530	-	592,530
Long-Term Liabilities:					
Compensated Absences	-	-	-	74,281	74,281
Net Pension Liability	-	-	-	187,502	187,502
Net OPEB Liability	-	-	-	1,836,610	1,836,610
TOTAL LIABILITIES	887,849	4,349	892,198	2,098,393	2,990,591
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Related to Pension	-	-	-	338,639	338,639
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	338,639	338,639
FUND BALANCES					
Nonspendable	91,419	-	91,419		
Restricted	-	7,132,931	7,132,931		
Committed	-	8,027,727	8,027,727		
Unassigned	458,581	-	458,581		
TOTAL FUND BALANCES	550,000	15,160,658	15,710,658		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,437,849	\$ 15,165,007	\$ 16,602,856		
NET POSITION					
Net Investment in Capital Assets				52,671,924	52,671,924
Restricted for Capital Assets				15,160,658	15,160,658
Unrestricted				(1,242,208)	(1,242,208)
TOTAL NET POSITION				66,590,374	66,590,374
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					\$ 69,919,604

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
As of September 30, 2024

Exhibit C - 2

Total Fund Balances - Governmental Funds	\$ 15,710,658
Amounts Reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:	
Capital Assets Not Being Depreciated	9,341,915
Capital Assets Being Depreciated	70,363,346
Accumulated Depreciation	(27,033,337)
Total Capital Assets, Net	<u>52,671,924</u>
Compensated Absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as a liability on Statement of Net Position.	
Compensated Absences Payable	(74,281)
Total Long-Term Liabilities	<u>(74,281)</u>
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB Statement No. 68, a deferred resource outflow, and a deferred inflow. This resulted in an increase in net position.	
Net Pension Liability	(187,502)
Deferred Inflow Related to Pension Plan	(338,639)
Deferred Outflow Related to Pension Plan	644,824
	<u>118,683</u>
Included in the noncurrent liabilities is the recognition of the City's OPEB liability required by GASB Statement No. 75. This resulted in a decrease in net position.	
Net OPEB Liability	(1,836,610)
	<u>(1,836,610)</u>
Net position of Governmental Activities	<u><u>\$ 66,590,374</u></u>

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2024

	General Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
REVENUE					
Customer Service Fees	\$ 8,047,555	\$ -	\$ 8,047,555	\$ -	\$ 8,047,555
Capital Impact Fees	-	1,459,860	1,459,860	-	1,459,860
Investment Income	32,376	702,653	735,029	-	735,029
FEMA & TDEM Grants	-	81,797	81,797	-	81,797
Miscellaneous	17,700	-	17,700	-	17,700
Developers' Contributions	-	-	-	1,827,665	1,827,665
TOTAL REVENUE	8,097,631	2,244,309	10,341,941	1,827,665	12,169,606
EXPENDITURES					
Water Purchased	2,103,630	-	2,103,630	-	2,103,630
Personnel Costs	2,519,173	-	2,519,173	451,281	2,970,454
Professional Fees	86,180	-	86,180	-	86,180
Repairs and Maintenance	690,128	222,332	912,460	-	912,460
Insurance	107,848	-	107,848	-	107,848
Legal Notices and Elections	5,663	-	5,663	-	5,663
Laboratory Costs and Testing	50,089	-	50,089	-	50,089
Fuel and Lubricants	27,156	-	27,156	-	27,156
Chemicals	75,584	-	75,584	-	75,584
Utilities	327,366	-	327,366	-	327,366
Seminars, Training & Travel	6,780	-	6,780	-	6,780
Permits, Fees & Assessments	83,414	-	83,414	-	83,414
Office & Land Lease - Net	19,587	-	19,587	-	19,587
Other Expenses	100,824	-	100,824	-	100,824
Capital Outlay	226,351	4,006,752	4,233,103	(4,233,103)	-
Depreciation	-	-	-	1,910,071	1,910,071
TOTAL EXPENDITURES	6,429,774	4,229,084	10,658,858	(1,871,751)	8,787,107
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,667,857	(1,984,775)	(316,917)	3,699,416	3,382,499
OTHER RESOURCES (USES)					
Transfers - Internal Activity	(1,667,857)	1,667,857	-	-	-
Excess (Deficiency) of Revenues & Other Sources Over Expenditures/Expenses & Uses	\$ -	\$ (316,917)	\$ (316,917)	\$ 3,699,416	\$ 3,382,499
FUND BALANCE/NET POSITION:					
Beginning of the Year, As Restated	\$ 550,000	\$ 15,477,575	\$ 16,027,575		\$ 63,207,875
End of the Year	\$ 550,000	\$ 15,160,658	\$ 15,710,658		\$ 66,590,374

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Exhibit C - 4

Net Change in fund balance - governmental funds	\$ (316,917)
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. Of the Additions to capital assets, \$1,827,665 were received from developer contributions. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.	
Additions to capital assets	6,060,768
Depreciation on capital assets	(1,910,071)
	4,150,697
Compensated Absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as a liability on Statement of Net Position.	
Compensated absences	(11,658)
	(11,658)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB Statement No. 68, a deferred resource outflow, and a deferred inflow. This resulted in a decrease in net position	
Net Pension Liability	(301,853)
Deferred Inflow Related to Pension Plan	101,263
Deferred Outflow Related to Pension Plan	(169,596)
	(370,186)
Included in the noncurrent liabilities is the recognition of the City's total OPEB liability required by GASB Statement No. 68, a deferred resource outflow, and a deferred inflow. This resulted in a decrease in net position	
	(69,437)
	(69,437)
Change in Net Position of Governmental Activities	\$ 3,382,499

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 1 – CREATION OF DISTRICT

Nueces County Water Control & Improvement District No. 4 (the “District”) was created and established under the authority of Article XVI, Section 59 of the Constitution of Texas and Chapter 3A, Title 128 V.A.T.C.S. (now codified in V.T.C.A., Water Code, Chapter 51) by the Commissioners Court of Nueces County, Texas on November 24, 1952, and its organization was subsequently confirmed by qualified voters within the District on December 23, 1952. The Board of Directors (Board) held its first meeting on November 25, 1952, and the first bonds were issued September 1, 1959.

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.

A. 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. 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 regulations 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.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

B. 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, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

C. Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the governmentwide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

D. Governmental Funds

The District has two governmental funds and considers each to be major funds.

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

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

E. 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 the 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. A one-year availability period is used for revenue recognition for all other governmental fund revenues except for FEMA grant revenue, which is recognized when eligible costs are incurred regardless of when funds are received. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. General capital assets acquisitions are reported as expenditures in governmental funds. Those

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

revenues considered susceptible to accrual are property tax revenues, revenues received from the State, grants, entitlements, and interest income. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned, since they are both measurable and available. Grant funds are earned to the extent of expenditures made under the provisions of the grant. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. 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 could repay the advance on a timely basis.

F. Budgeting

An annual unappropriated budget is adopted for all funds 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 fiscal year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

G. 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, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position. 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:

Non-spendable: amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

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.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

H. 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.

I. Cash and Investments

The District considers time deposits with a maturity of three months or less as cash and cash equivalents. Cash and Investments are deposited and invested under the terms of a depository contract.

J. Accounts Receivable

Receivables are reported at gross value and, where appropriate, allowances for uncollectible amounts are reported. The District uses the direct write off method for uncollectible water and wastewater receivables. This method does not result in a write-off that is materially different from GAAP.

K. Inventories

Inventories are recorded using the consumption method and are stated at cost (weighted average cost). Inventories consist of materials and supplies used in operations.

L. Prepaid Expense

Prepaid expenses record payments to vendors that benefit future reporting periods and are reported on the consumption method.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

M. 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. When purchased or constructed, capital assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Capital Asset Account Group at historical cost or estimated historical cost. Costs for infrastructure type assets such as water collection and distribution lines and wastewater collection lines have been included with these capitalized costs. Donated assets are valued at their 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. The District has set \$5,000 as the minimum amount required for an item to be capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Useful Life (Years)
Buildings	40
Water Collection/Distribution Systems	40
Wastewater Collection/Distribution Systems	40
Machinery and Equipment	5-15
Vehicles	5-10

N. Compensated Absences

The District allows employees to accumulate unused sick leave to a maximum of 90 working days. However sick days do not vest, and accordingly, employees can be paid sick leave only when sick. Since an employee's right to receive compensation for future absences is contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, as such, the liability for unused sick leave is not recorded in the financial statements. Earned vacation time is generally required to be used within one and one-half years of accrual. Upon termination, accumulated vacation will be paid to the employee. The liability and expense are reported in the Government-wide statements.

O. Post-Employment Benefits

The District has established a pension plan and other postemployment benefits plan for the benefit of District employees only (Directors excluded). The Internal Revenue Service has determined that the directors are employees for federal payroll tax purposes only.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

P. Fair Value of Financial Instruments

The District complies with GASB Statement No. 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Q. Recently Issued and Implemented Accounting Pronouncements

In 2024, the District implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI).

Future accounting standards which may possibly be applicable to the District in future years that have been issued by the Governmental Accounting Standards Board are:

- Statement No. 101, *Compensated Absences*
- Statement No. 102, *Certain Risk Disclosures*
- Statement No. 103, *Financial Reporting Model*

Statement No. 101, *Compensated Absences*, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The District is evaluating the requirements of GASB No. 101 and the impact on reporting for future years.

Statement No. 102, *Certain Risk Disclosures*, the objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The District is evaluating the requirements of GASB No. 102 and the impact on reporting for future years.

Statement No. 103, *Financial Reporting Model Improvements*, the objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District is evaluating the requirements of GASB No. 103 and the impact on reporting for future years.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

a. Budgetary Data

The Board of Directors adopts a budget for the District. In accordance with Government Accounting Standards Board (GASB) Statement No. 34, a City is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The District compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to October 1, the District prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the budget is legally enacted through passage of the Board. Once a budget is approved, it can only be formally amended by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact and are reflected in the official minutes of the Board and are not made after the fiscal year end.
4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

b. Excess of Expenditures over Appropriation

General Fund expenditures exceeded appropriations as noted in the budget to actual statement.

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The depository bank deposits for safekeeping and trust with a third-party bank, approved pledged securities as authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. Texas statutes authorize the District to invest in:

- 1) obligations of the U.S. Treasury or its agencies and instrumentalities;
- 2) direct obligations of the State of Texas or its agencies;
- 3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States;
- 4) obligations of states, agencies, counties or cities rated A or better by a national investment rating firm;

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

- 5) certificates of deposit that are insured by the FDIC or secured by obligations having a market value of at least the principal amount of the certificates; and
- 6) fully collateralized direct repurchase agreements.

As of September 30, 2024, the carrying amount of the District's deposits consisted of the following:

Fund	Financial Institution	Interest Rate	Account Type	Carrying Amount
CPF	American Bank	1.41%	Money Market	\$ 5,595,604
GF	American Bank	1.41%	Money Market	479,713
GF	Petty Cash	0.00%	General Checking	300
CPF	HPO	Various	Cash/Sweep Account	2,174,879
Total Cash and Cash Equivalents				<u>\$ 8,250,496</u>

The District's cash deposits as of September 30, 2024, and during the year ended September 30, 2024, were entirely covered by FDIC Insurance and securities collateral.

- (1) Name of Bank: American Bank
- (2) The District's total amount of pledged securities as of September 30, 2024, on deposit was \$9,545,401.
- (3) The District's total amount of FDIC coverage as of September 30, 2024, held a combined balance was \$9,795,401, which exceeded the cash deposits by \$3,670,560.

The District's investments are stated at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount, which reasonably estimates fair value. The net change in fair value of investments is recognized and reported as investment income in the financial statements. Accrued interest, if any, is shown under the caption accrued interest receivable.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy.

That policy must address the following areas:

- (1) safety of principal and liquidity,
- (2) portfolio diversification,
- (3) allowable investments,
- (4) acceptable risk levels,
- (5) expected rates of return,
- (6) maximum allowable stated maturity of portfolio investments,

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

- (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio,
- (8) investment staff quality and capabilities,
- (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in

- (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas;
- (2) certificates of deposit,
- (3) certain municipal securities,
- (4) money market savings accounts,
- (5) repurchase agreements,
- (6) banker's acceptances,
- (7) Mutual Funds,
- (8) Investment pools,
- (9) guaranteed investment contracts,
- (10) and common trust funds.

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's recurring fair value measurements for investments, which are all Level 1 inputs, temporary investments and Certificates of Deposits held by the District as of September 30, 2024, are as follows:

Fund	Financial Institution	Interest Rate	Par Value	Carrying Amount
CPF	Certificates of Deposit	3.05%-4.85%	-	\$ 2,000,000
CPF	U.S. Treasury Notes	2.00%-4.00%	-	5,328,192
	Total Investments			<u>\$ 7,328,192</u>

As of September 30, 2024, the District's investment in the Treasury Money Market Fund (Fund) was rated AAAM by Standard & Poor's and AAA-mf by Moody's Investors Service. These are the highest ratings available for money markets. The Fund operates in accordance with state law, which requires it to meet all the requirements of Rule 2a-7 of the Securities and Exchange Commission. Local government investment pools in this rating category standards for credit quality, conservative investment policies, and safety of principal. The fund invests in a high-quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City limits investments to Certificates of Deposits, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by U.S. Government Securities. As of September 30, 2024, the city's investments were secured by FDIC Insurance and securities collateral.

Custodial Credit Risk for Investments - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the city complies with this law, it has no custodial credit risk for deposits.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the investment portfolio shall be diversified in terms of investment instruments maturity scheduling, and financial institutions. Currently, the District only has Certificates of Deposits and does not have Concentration of Credit Risk.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that the investments be monitored by using specific identification.

Foreign Currency Risk for Investments - The District limits the risk that changes in exchanges rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

B. Disaggregation of Receivables

The District's receivables as of September 30, 2024, consisted of the following:

Fund Name	Governmental Activities			Total
	Utility Customers	Due From Other Governments	Accrued Interest	
General Fund	\$ 696,371	\$ -	\$ -	\$ 696,371
Capital Projects Fund	-	170,046	66,332	236,378
Total Receivables	\$ 696,371	\$ 170,046	\$ 66,332	\$ 932,749

C. Disaggregation of Other Liabilities

The District's liabilities as of September 30, 2024, consisted of the following:

Fund Name	Governmental Activities		
	Accounts Payable	Security Deposits	Total
General Fund	\$ 295,319	\$ 4,349	\$ 299,668
Capital Projects Fund	592,530	-	592,530
Total Payables	\$ 887,849	\$ 4,349	\$ 892,198

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

D. Interfund Transactions

The District's interfund transfers as of September 30, 2024, consisted of the following:

<u>Fund Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Capital Projects Fund	\$ -	\$ 1,667,857
Total General Fund	-	1,667,857
Capital Projects Fund:		
General Fund	1,667,857	-
Total Capital Projects Fund	1,667,857	-
Total Interfund Transfers	\$ 1,667,857	\$ 1,667,857

E. Capital Assets

Capital asset activity for the year ended September 30, 2024, is summarized below:

<u>Governmental Activities</u>	<u>Beginning Balance October 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance September 30, 2024</u>
Capital Assets not Being Depreciated				
Land, Easements, and Rights-of-Way	\$ 1,314,158	\$ -	-	\$ 1,314,158
Construction in progress	4,021,005	4,006,752	-	8,027,757
Total Capital Assets not Being Depreciated	5,335,163	4,006,752	-	9,341,915
Capital Assets Being Depreciated				
Buildings	7,338,443	-	-	7,338,443
Water System	25,014,291	599,295	-	25,613,586
WasteWater System	34,270,306	1,335,375	-	35,605,681
Machinery and Equipment	892,479	14,131	-	906,610
Automobiles and Trucks	647,281	60,704	(29,445)	678,541
Office Furniture and Equipment	175,975	44,511	-	220,486
Total Capital Assets Being Depreciated	68,338,775	2,054,016	(29,445)	70,363,346
Less Accumulated Depreciation For				
Buildings	(559,736)	(188,669)	-	(748,405)
Water System	(8,924,434)	(567,860)	-	(9,492,294)
WasteWater System	(14,674,679)	(984,976)	-	(15,659,655)
Machinery and Equipment	(372,249)	(73,654)	-	(445,903)
Automobiles and Trucks	(490,389)	(77,753)	29,437	(538,705)
Office Furniture and Equipment	(131,216)	(17,159)	-	(148,375)
Total Accumulated Depreciation	(25,152,703)	(1,910,071)	29,437	(27,033,337)
Net Capital Assets Being Depreciated	43,186,073	143,945	(8)	43,330,009
Governmental Activities Capital Assets, Total Net Assets	\$ 48,521,236	\$ 4,150,697	\$ (8)	\$ 52,671,924

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024****NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued****F. Long-Term Debt****Changes in Long-Term Liability**

The District's changes in long-term liabilities as of September 30, 2023, are summarized as follows:

Description	Balance 10/1/2023	Increases	Decreases	Balance 9/30/2024
Net Pension Liability/(Asset)	\$ (114,351)	\$ 301,853	\$ -	\$ 187,502
Total OPEB Liability/(Asset)	1,767,173	69,437	-	1,836,610
Compensated Absences	64,970	9,311	-	74,281
Total Long-Term Liabilities	\$ 1,717,792	\$ 380,601	\$ -	\$ 2,098,393

NOTE 5 – PENSIONS**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM ("TCDRS"):****Plan Description**

The District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in temporary positions are not eligible for membership. The plan provides retirement, disability, and survivor benefits. The Plan does not issue a standalone financial statement. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The most recent CAFR can be found at the following link, 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 10 or more years of service or 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 but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal account balance in a lump sum prior to retirement are not entitled to any amounts contributed by their employer.

Benefits

TCDRS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 225%) and is then converted to an annuity. There are no automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees. There are two COLA types, each limited by actual inflation.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 5 – PENSIONS - Continued

As of December 31, 2023, 39 current and former employees/beneficiaries were covered by the benefit terms of the Plan as follows:

Status	Count	Remaining Service	Recognition Period
Current Active Members	23	246	N/A
Current Inactive Members	7	0	N/A
Current Retirees and Beneficiaries	9	0	N/A
Total (Recognition Period is Rounded)	39	246	6

Funding Policy

The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's contribution rate for calendar year 2024 is 16.57% and for 2023 was 16.57%. The deposit rate payable by employee members is 7%. The District has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. The District may also make additional contributions to pay down its liability faster, pre-fund benefit enhancements and/or buffer against future adverse experiences. In addition, the District annually reviews its plan and may adjust benefits and costs based on its needs and budget. Although accrued benefits may not be reduced, the District may reduce future benefit accruals and immediately reduce costs.

Net Pension Liability (Asset) – The District's net pension liability (asset) for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability (asset) of the Plan was measured as of December 31, 2023, using an annual actuarial valuation as of that date.

Actuarial Assumptions – The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2021. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 5 – PENSIONS - Continued

A summary of principal assumptions and methods used to determine the net pension liability is shown below:

Valuation Date	December 31, 2023
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 method	Entry Age (level percent of pay)
Amortization Method	Level percentage of payroll, closed
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 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 rate table	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. This 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. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10-year time horizon.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 5 – PENSIONS - Continued

The valuation assumption for long-term expected return is reassessed in detail at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment. The following table reflects the long-term expected real rate of return by asset class.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) index	6.00%	4.75%
Investment Grade-Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.65%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index (3)	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (5)	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%

(1) Target asset allocation adopted at the March 2024 TCDRS Board meeting.

(2) Geometric real rates of return equal expected return for the asset class minus the assumed inflation rate of 2.2%, per Cliffwater's 2024 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 5 – PENSIONS - Continued

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

Changes in Net Pension Liability / (Asset)			
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2022	\$ 7,609,493	\$ 7,723,844	\$ (114,351)
Changes Recognized for the Measurement Period:			
Service cost	216,692		216,692
Interest on total pension liability	579,099		579,099
Effect of plan changes (2)	711,048		711,048
Effect of economic/demographic gains or losses	116,588		116,588
Effect of assumptions changes or inputs	-		-
Refund of contributions	(4,353)	(4,353)	-
Benefit payments	(416,280)	(416,280)	-
Administrative expenses		(4,504)	4,504
Member contributions		110,137	(110,137)
Net investment income		849,358	(849,358)
Employer contributions		360,958	(360,958)
Other (3)		5,624	(5,624)
Net Changes	1,202,794	900,940	301,854
Balances as of December 31, 2023	\$ 8,812,287	\$ 8,624,785	\$ 187,502

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 9,917,492	\$ 8,812,287	\$ 7,876,413
Fiduciary net position	8,624,785	8,624,785	8,624,785
Net pension liability / (asset)	\$ 1,292,707	\$ 187,502	\$ (748,372)

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024****NOTE 5 – PENSIONS - Continued****Pension Plan Fiduciary Net Position**

Detailed information about the District's pension plan fiduciary net position is available in the separately issued TCDRS financial reports.

Pension Expense

For the measurement period ended December 31, 2023, the District's Governmental Fund's recognized pension expense of \$686,342. A breakdown of Government-Wide pension expense is as follows:

	<u>December 31, 2023</u>
Service Cost	\$ 216,692
Interest on total pension liability	579,099
Effect of plan changes	711,048
Administrative expenses	4,504
Member contributions	(110,137)
Expected investment return net of investment expenses	(588,936)
Recognition of deferred inflows/outflows of resources:	
Economic/demographic gains or losses	(46,857)
Assumptions changes or inputs	68,909
Investment gains or losses	(142,354)
Other	(5,624)
Pension Expense / (Income)	<u>\$ 686,342</u>

Deferred Inflow/Outflow of Resources

As of September 30, 2023, the District reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 338,639	\$ 208,469
Changes in assumptions	-	198,925
Net difference between projected & actual earnings	-	36,608
Contributions made subsequent to measurement date	N/A	200,822
	<u>\$ 338,639</u>	<u>\$ 644,824</u>

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 5 – PENSIONS - Continued

Contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	
December 31:	Amount
2024	\$ (44,719)
2025	(9,118)
2026	206,835
2027	(83,119)
2028	35,484
Thereafter	\$ -

Retirement Contribution Payable

As of September 30, 2023, the District had no payable for outstanding contributions to the pension plan required for the year ended September 30, 2023. The District, by law, is responsible for paying 100% of their actuarially determined required contributions annually. See the “Schedule of Employer Contributions” included in the required supplementary information.

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description & Benefits

The District administers a single employer defined benefit healthcare plan ("the Retiree Health Plan") as authorized by Section 49.057 of the Texas Water Code. The Retiree Health Plan, which can be amended by the District, provides lifetime healthcare insurance for eligible retirees through the same medical and dental II plan offered to active employees until the retiree qualifies for coverage under Medicare. At that time, eligible retirees will be provided a Medicare Supplement Policy as established annually by the Texas Municipal League. For purposes of the Retiree Health Plan, the District defines an eligible retiree as any employee whose age plus years of service equals at least 80 on the date of retirement. The Retiree Health Plan does not issue a publicly available financial report. As of September 30, 2023, 6 retired employees were receiving benefits, no other inactive employees were eligible for benefits and there were 21 active employees in the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The District contributes 100% of the cost of current-year premiums for eligible retired plan members.

Total OPEB Liability (TOL)

The District's total OPEB liability was measured as of September 30, 2023, and was calculated using the Alternative Measurement Method in accordance with GASB methodology for employers in plans with fewer than one hundred total plan members in-lieu of an actuarial valuation. The previous measurement date was September 30, 2022. OPEB Expense represents a level of funding that, if paid on an ongoing basis, is projected to cover service costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed twenty years.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

The following table shows the components in the District's OPEB liability:

	<u>Total OPEB Liability</u>
Balance at September 30, 2022	\$ 1,767,173
Changes for the year:	
Service costs	153,932
Interest	90,956
Effect of Economic/Demographic Gains or Losses	(99,493)
Changes in assumptions and other inputs	(14,980)
Benefit payments	<u>(60,978)</u>
Net Changes	<u>69,437</u>
Balance at September 30, 2023	<u>\$ 1,836,610</u>

OPEB Expense

OPEB Expense represents a level of funding that, if paid on an ongoing basis, is projected to cover service costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed twenty years. OPEB expense recognized in the Government-Wide statements for the measurement period ended December 31, 2023, was \$130,415. The following table shows the components of the District's annual OPEB cost for the year.

	<u>December 31, 2023</u>
Service Cost	\$ 153,932
Interest on total pension liability	90,956
Effect of plan changes	-
Administrative expenses	-
Member contributions	-
Expected investment return net of investment expenses	-
Recognition of deferred inflows/outflows of resources:	
Economic/demographic gains or losses	(99,493)
Assumptions changes or inputs	(14,980)
Investment gains or losses	-
Other	-
OPEB Expense / (Income)	<u>\$ 130,415</u>

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024****NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued****OPEB Sensitivity**

Sensitivity of Total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Retiree Health Plan, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	3.87%	4.87%	5.87%
Net OPEB Liability	\$ 2,112,555	\$ 1,836,610	\$ 1,611,857
Change from Baseline	\$ 275,945	\$ -	\$ (224,754)

Healthcare Cost Trend Sensitivity

Sensitivity of Total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Retiree Health Plan, as well as what the liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Baseline Trend	1% Increase
Net OPEB Liability	\$ 1,565,503	\$ 1,836,610	\$ 2,176,419
Change from Baseline	\$ (271,107)	\$ -	\$ 339,809

Methods and Assumptions

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of changes in total OPEB liability, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

The following assumptions were made:

Summary of Key Assumptions and Methods:

Measurement Date 9/30/2023

Methods and Assumptions Used to Determine Contribution Rates:

Age Adjustment Factor 1.996841

Average Retirement Age 61

Employer Future Premium Contribution Remain a level % of the total cost over time

Actuarial Cost Method Entry age normal

Amortization Method Level Percentage of Payroll

Assets Backing OPEB Liability \$0

Plan Asset Return 0.00%

Bond Yield 4.87%

Discount Rate 4.87%

Projected Salary Increases 3.00%

Amortization Period 20

Percentage Participation 100.00%

NOL and ADC Calculated using the Alternative Measurement Method in accordance with GASB methodology

Mortality Table Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

Turnover Assumption Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Healthcare cost trend rate

The expected rate of increase in healthcare insurance premiums was based on Getzen model promulgated by the Society of Actuaries for use in long-term trend projection.

Health insurance premiums

The September 2023 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid. The unfunded actuarial OPEB liability is being amortized as a level percentage of payroll. The remaining amortization period as of September 30, 2023, was 20 years.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Programs for managing risk include:

- 1) participation in Texas Municipal League (TML), a public entity risk pool, to cover claims such as general liability, errors & omissions, real & personal property, equipment, windstorms, hurricanes, hailstorms, floods, crime, workers compensation and employee medical;
- 2) purchasing commercial insurance for Directors' liability; and
- 3) providing employees with various safety programs.

TML has coverage as follows:

Except for deductibles ranging from \$250 to \$5,000, the District has transferred risk of loss to the public entity risk pool and to commercial insurers. There were no changes in the types of insurance coverage the District maintained for fiscal years ending September 30, 2024, and 2023, and there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the year ended September 30, 2024, or the prior three fiscal years.

NOTE 7 – COMMITMENTS

a) WATER PURCHASES

The District has contracts to purchase water from the City of Corpus Christi, Texas ("City") and San Patricio Municipal Water District ("SPMWD").

The water supply contract with SPMWD requires the District to purchase 12 million gallons per month. The District is subject to a penalty for each month in which purchases are less than 12 million gallons. The penalty rate is determined by subtracting SPMWD's cost of water plus estimated pumping charges from the current rate. The penalty is computed by multiplying the penalty rate times the difference between 12 million gallons and the District's actual purchases.

Because SPMWD purchases 100% of its water from the City of Corpus Christi, the District's sole source of water is, in effect, the City of Corpus Christi. However, this arrangement allows for water deliveries from two different sides of the island on which the majority of the District is located.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 7 – COMMITMENTS – Continued

b) NON-CAPITALIZED LEASES

The District is obligated under leases accounted for as operating leases. An operating lease does not give rise to property rights or lease obligations, and therefore the results of the lease agreement are not reflected in the District's Government-wide financial statements.

The District leases approximately 7 acres of land from the State of Texas. The original lease was for a term of 30 years, which began October 21, 1985, and ended on October 20, 2015. The District had the option to extend this lease for 2 additional 10-year periods and exercised its first 10-year option to extend this lease to October 20, 2025. If the District extends this lease for the second 10-year period, it will have a preferential right to release this land at the end of the 50-year period. The annual rental amount is determined every 5 years as 10% of the appraised market value of the leased premises. However, regardless of the change in appraised market value, the annual rental shall be increased every 5 years by at least 10% but not more than 50%. The leased premises will be appraised again in October 2025. The District subleases a portion of this property to the City of Port Aransas, Texas, which requires annual rents of \$1,067.

c) LITIGATION

The District has been involved in various legal matters. Although an estimate of the ultimate loss cannot be made, the District's management believes potential losses resulting from these matters will not have a material effect on the District's financial statements.

d) CONTRACTUAL COMMITMENTS

As of September 30, 2024, the District has multiple contractual commitments totaling approximately \$15,068,300 for wastewater treatment facilities, generator buildings, water tower painting and various other improvement projects.

Description	Estimated Completion Date	Estimated Contract Amount	Remaining Source of Funds
Mustang Pump Station	February 2025	\$ 2,855,500	Capital Impact Fees
North WWTP Repairs	February 2025	3,012,800	Capital Impact Fees
South Wastewater Treatment Plant	March 2027	7,600,000	Capital Impact Fees
6 Portable Generators & Connections	February 2025	1,600,000	Capital Impact Fees
Total Commitments		\$ 15,068,300	

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

NOTE 8 – DEFICIT IN NET POSITION

The District's deficit as of September 30, 2024, in the Unrestricted Net Position is due to the adjustments recorded as follows:

Description	Amount
General Fund Unassigned Fund Balance	\$ 458,581
Nonspendable - Inventory	91,419
Deferred Outflows - Pension	644,824
Deferred Inflows - Pension	(338,639)
Net Pension Liability	(187,502)
Total OPEB Liability	(1,836,610)
Compensated Absences	(74,281)
Total Net Position Deficit	\$ (1,242,208)

NOTE 9 – PRIOR PERIOD RESTATEMENT

Capital Projects Fund

To remove outstanding Accounts Receivable, Accounts Payable, and Addition of Due to General Fund resulting in a net effect of in the amount of (\$100,649).

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 28, 2025, the date the financial statements were available to be issued.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended September 30, 2024

Exhibit G-1

	BUDGETED AMOUNTS			FAVORABLE (UNFAVORABLE) FINAL TO ACTUAL
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Customer Service Fees	\$ 9,177,548	\$ 9,177,548	\$ 8,065,255	\$ (1,112,293)
Interest	-	-	32,376	32,376
TOTAL REVENUES	<u>\$ 9,177,548</u>	<u>\$ 9,177,548</u>	<u>\$ 8,097,631</u>	<u>\$ (1,079,917)</u>
EXPENDITURES				
Water Purchased	3,097,475	3,097,475	2,103,630	993,845
Personnel Cost	2,664,896	2,664,896	2,519,173	145,723
Professional Services	125,000	125,000	86,180	38,820
Repairs and Maintenance	695,000	695,000	690,128	4,872
Recurring Expenses	903,750	903,750	804,312	99,438
Capital Outlay	302,500	302,500	226,351	76,149
TOTAL EXPENDITURES	<u>7,788,621</u>	<u>7,788,621</u>	<u>6,429,774</u>	<u>1,358,847</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,388,927</u>	<u>1,388,927</u>	<u>1,667,857</u>	<u>278,930</u>
OTHER RESOURCES(USES)				
Transfers In (Out)	(1,388,927)	(1,388,927)	(1,667,857)	(278,930)
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance at Beginning of Period	\$ 550,000	\$ 550,000	\$ 550,000	\$ 550,000
Prior Period Adjustment	-	-	-	-
Fund Balance at End of Period	<u><u>\$ 550,000</u></u>	<u><u>\$ 550,000</u></u>	<u><u>\$ 550,000</u></u>	<u><u>\$ 550,000</u></u>

Plan Year Ended December 31,

Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll
1970	16.8%
1971	16.8%
1972	16.8%
1973	16.8%
1974	16.8%
1975	16.8%
1976	16.8%
1977	16.8%
1978	16.8%
1979	16.8%
1980	16.8%
1981	16.8%
1982	16.8%
1983	16.8%
1984	16.8%
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2018	16.8%
2019	16.8%
2020	16.8%
2021	16.8%
2022	16.8%
2023	16.8%
2024	16.8%
2025	16.8%
2026	16.8%
2027	16.8%
2028	16.8%
2029	16.8%
2030	16.8%
2031	16.8%
2032	16.8%
2033	16.8%
2034	16.8%
2035	16.8%
2036	16.8%
2037	16.8%
2038	16.8%
2039	16.8%
2040	16.8%
2041	16.8%
2042	16.8%
2043	16.8%
2044	16.8%
2045	16.8%
2046	16.8%
2047	16.8%
2048	16.8%
2049	16.8%
2050	16.8%

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2024	2023	2022	For Fiscal Year Ended September 30,				2018	2017	2016
				2021	2020	2019				
Actuarially determined contribution	\$ 145,381	\$ 207,053	\$ 167,118	\$ 186,599	\$ 188,943	\$ 189,892	\$ 190,648	\$ 174,832	\$ 169,621	
Contributions in relation to actuarially determined contribution	360,958	306,776	217,530	279,738	262,884	229,892	190,648	174,832	169,621	
Contribution deficiency (excess)	<u>\$ (215,577)</u>	<u>\$ (99,723)</u>	<u>\$ (50,412)</u>	<u>\$ (93,139)</u>	<u>\$ (73,941)</u>	<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 1,573,393	\$ 1,428,935	\$ 1,312,792	\$ 1,205,420	\$ 1,173,560	\$ 1,139,807	\$ 1,156,843	\$ 1,063,454	\$ 990,774	
Contributions as a percentage of covered payroll	22.9%	21.5%	16.6%	23.2%	22.4%	20.2%	16.5%	16.4%	17.1%	

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Valuation Date: Actuarially determined contribution rates are calculated as of December 31, and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	7.3 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method	5-yr 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 Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Changes in Assumptions and 2015: New inflation, mortality and other assumptions were reflected.
Methods Reflected in the Schedule
of Employer Contributions*

Other Information: No changes in plan provisions were reflected in the Schedule.

NUECES COUNTY WATER CONTROL AND IRRIGATION DISTRICT #4
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB Liability										
Service cost	\$ 153,932	\$ 108,719	\$ 108,719	\$ 102,619	\$ 55,103	\$ 55,103	\$ 71,407	\$ 74,626	\$ 74,551	\$ 67,712
Interest (on the total OPEB liability)	90,956	86,123	64,618	60,120	60,952	68,199	20,543	17,451	14,452	11,874
Changes of benefit terms							965,889	-	-	-
Difference between expected and actual experience	(99,493)	(73,275)	(452,771)	88,604	174,126	135,707	-	-	-	-
Change of assumptions	(14,980)	(14,776)	(811,691)	-	224,559	491,965	-	-	-	-
Benefit payments, including refunds of employee contributions	(60,978)	(42,382)	(42,381)	(65,306)	(51,299)	(48,698)	(29,832)	(23,359)	(22,357)	(22,315)
Net Change in Total OPEB Liability	69,437	64,409	(1,133,506)	186,037	463,441	702,276	1,028,007	68,718	66,646	57,271
Total OPEB Liability - Beginning	1,767,173	1,702,764	2,836,270	2,650,233	2,186,792	1,484,516	456,509	387,791	321,145	263,874
Total OPEB Liability - Ending	\$ 1,836,610	\$ 1,767,173	\$ 1,702,764	\$ 2,836,270	\$ 2,650,233	\$ 2,186,792	\$ 1,484,516	\$ 456,509	\$ 387,791	\$ 321,145
Covered Payroll	\$ 1,649,442	\$ 1,504,984	\$ 1,388,841	\$ 1,283,480	\$ 1,194,225	\$ 1,166,627	1,139,914	1,145,462	103,9482	976351
Total OPEB Liability as a Percentage of Covered Payroll	89.81%	85.16%	81.56%	45.25%	45.06%	53.55%	76.79%	250.92%	268.05%	304.02%

Notes to Schedule:

1. This schedule is presented using the optional format of combining required schedules.
2. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The District contributes 100% of the cost of current-year premiums for eligible retired plan members.
3. There were no changes to benefits terms or in the assumptions used in the determination of the amounts scheduled.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

TSI -1 - SCHEDULE OF SERVICES AND RATES (Unaudited)
For the Year Ended September 30, 2024

1. Services Provided by district :
Retail Water and Retail Wastewater

2. Retail Service Provider
a) Retail Rated for a 3/4 & 5/8" meter

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1000 Gallons Over Minimum Usage	Usage Levels
Water	24.20	2,000	N	5.83	1,000 and Up
Wastewater	22.00	2,000	N	3.85	1,000 and Up
Surcharge	N/A	N/A	N/A	N/A	N/A

District Employs Winter Averaging for Wastewater Usage? NO
Total water and waste water charges Per 10,000 Gallons Usage: \$ 123.64

- b) Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC*
Unmetered	0	0	1.0	-
3/4"	4670	4516	1.0	4,516
1"	540	528	2.5	1,320
1 1/2"	59	59	5.0	295
3"	14	14	15.0	210
4"	11	11	25.0	275
8"	0	0	80.0	-
10"	0	0	115.0	-
Total Water	5294	5129	N/A	6,616
Total Wastewater	5030	5113	1.0	5,113

*ESFC - equivalent single-family connection. One ESFC is defined as equaling a typical detached single-family house.

3. Total Water Consumption During the Fiscal Year	Water Accountability Ratio: (Gallons Billed/Gallons Pumped)
Gallons Pumped Into System: 641,362,000	
Gallons Billed to Customers 684,662,000 **	107%

** - Obtained from Corpus Christi Water

4. Standby Fees

Does the District have Service Standby fees?	NO
If Yes, Date of the most recent Commission Order:	
Does the District have Operations and Maintenance Standby Fees?	NO
If Yes, Date of the most recent Commission Order:	

5. Location of District

County(ies) in Which the district is located:	Nueces, San Patricio & Aransas
Is the District Located Entirely Within One County?	NO
Is the District Located Entirely Within a City?	Partly
City(ies) in which the district is located:	Port Aransas, Aransas Pass & Corpus Christi
Is the District Located within a City's extra territorial Jurisdiction (ETJ)?	Partly
ETJs in which the district is located:	Coprus Christi
Are Board Members appointed by an office outside the district?	NO
If Yes, by Whom?	

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

TSI-2 - GENERAL FUND EXPENDITURES

For the Year Ended September 30, 2024

	2024	2023	2022	2021	2020
Water Purchased	\$ 2,103,630	\$ 1,976,952	\$ 2,002,749	\$ 1,901,263	\$ 2,035,969
PERSONNEL EXPENDITURES					
Wages & Salaries	1,627,903	1,578,718	1,388,841	1,283,480	1,194,225
Retirement & OPEB	340,074	360,365	312,501	145,830	292,876
Medical Insurance	380,738	320,421	290,138	277,370	252,930
Payroll Taxes	125,023	121,026	106,811	104,337	93,858
Worker's Comp Insurance	34,783	32,626	24,340	20,835	21,505
Uniforms	10,652	10,840	11,385	13,028	8,192
Total Personnel Expenditures	2,519,173	2,423,996	2,134,016	1,844,880	1,863,586
PROFESSIONAL FEES					
Auditing	32,000	42,800	40,000	40,000	31,980
Legal	54,000	51,840	56,400	71,175	61,543
Engineering	-	14,140	11,553	16,205	29,781
Other Consultants	180	11,885	4,876	41,171	39,631
Total Professional Fees	86,180	120,665	112,829	168,551	162,935
REPAIRS AND MAINTENANCE					
Emergency Preparedness	183,513	213,644	183,513	-	-
System	150,345	106,326	150,345	-	-
Buildings and Ground	90,191	64,473	90,191	-	-
Equipment	97,703	52,653	97,703	-	-
Other Repairs and Maintenance	168,376	189,299	4,748	478,099	327,743
Total Repairs and Maintenance	690,128	626,395	526,500	478,099	327,743
UTILITIES					
Electricity	251,178	249,187	212,367	-	-
Sludge Disposal	56,702	96,289	98,669	-	-
Other Utilities	19,487	16,637	19,480	258,775	217,319
Total Utilities	327,366	362,113	330,516	258,775	217,319
CAPITAL OUTLAY					
Tap Connections	107,005	154,973	130,634	104,737	37,515
Sewer Cleaner	-	-	501,687	-	-
Vehicle	60,704	49,859	-	-	-
Front End Loader	-	82,314	-	-	-
Other Capital Outlay	58,642	-	47,529	63,096	164,368
Total Capital Outlay	226,351	287,145	679,850	167,833	201,883
OTHER EXPENSES					
Insurance	107,848	165,223	109,737	31,997	31,935
Legal Notices and Elections	5,663	593	660	4,182	707
Laboratory Costs and Testing	50,089	44,918	35,245	41,345	39,910
Fuel and Lubricants	27,156	29,669	32,886	22,222	15,557
Chemicals	75,584	95,539	57,673	39,710	41,046
Seminars, Training & Travel	6,780	6,221	10,399	3,890	1,909
Permits, Fees & Assessments	83,414	40,612	82,191	69,179	55,600
Office & Land Lease - Net	19,587	273	1,447	21,100	49,585
Office Supplies and Expenses	100,824	120,584	118,388	112,002	115,856
Total Other Expenses	476,945	503,632	448,626	345,627	352,105
Total Expenditures	\$ 6,429,774	\$ 6,300,898	\$ 6,235,086	\$ 5,165,028	\$ 5,161,540
Transfers to the Capital Projects Fund	1,667,857	2,260,240	1,978,172	2,516,814	1,525,979
Total Expenditures, Including Transfers	\$ 8,097,631	\$ 8,561,137	\$ 8,213,258	\$ 7,681,842	\$ 6,687,519

**NUECES COUNTY WATER CONTROL & IMPROVEMENT
DISTRICT NO. 4**

TSI - 2a - ADDITIONAL WAGES PAID DATA

For the Year Ended September 30, 2024

Total wages and salaries cost totaled \$1,627,903. This is below the \$1,710,176 that was to be the expected payroll cost in year 2023-2024. Overtime was \$82,273 less than expected. A total of 26 employees worked during the 2023-2024 fiscal year. The last quarter, July 2024 through September 2024, a total of 23 employees were considered active.

WAGES PAID	2024
Regular Wages and Salaries	1,566,908
Other Pay	27,250
Overtime	33,745
Total Wages Paid	1,627,903
HOURS WORKED	
Regular Hours	47,799
Overtime	834
Total Hours Worked	48,632
WAGES PER EMPLOYEE AT EFTE	
Total Employees	26
Hours at Full Time (26 x 2080)	54,080
Total Employees Full Time	
Equivalent(EFTE)*	23.28
Wages Per Employee at EFTE**	69,929

* EFTE = (48,421/54,080)*26

** Cost Per Employee at EFTE = 1,406,080/23.28

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
TSI-3 - SCHEDULE OF CASH, TEMPORARY INVESTMENTS, AND OTHER INVESTMENTS
For the Year Ended September 30, 2024

FUND	DESCRIPTION	TYPE	ACCOUNT NUMBER	INTEREST RATE	MATURITY DATE	CASH AND CASH EQUIVALENTS	INVESTMENTS	ACCRUED INTEREST
General	American Bank	Money Market Account	100132616	1.41%	N/A	\$ 479,713	\$ -	\$ -
General	N/A	Petty Cash	N/A	N/A	N/A	300	-	-
Capital Projects	American Bank	General Checking	101001132	1.41%	N/A	-	-	-
Capital Projects	American Bank	Money Market Account	100132616	1.41%	N/A	5,595,604	-	-
Capital Projects	Charles Schwab Bank	Certificates of Deposits	38148P5F0	4.85%	2/23/24	-	-	-
Capital Projects	Park Street Bank	Certificates of Deposits	70086VAW1	4.60%	8/9/27	-	250,000	2,875
Capital Projects	Commenity Capital Bank	Certificates of Deposits	20033A4N3	4.65%	8/17/27	-	250,000	2,906
Capital Projects	Goldman Sachs	Certificates of Deposits	15987UAP3	3.05%	2/20/24	-	-	-
Capital Projects	American Express National Bank	Certificates of Deposits	02589AD41	3.30%	7/1/24	-	-	-
Capital Projects	OceanFirst Bank	Certificates of Deposits	67523TBE2	3.25%	7/7/24	-	-	-
Capital Projects	Capital One	Certificates of Deposits	14042RSJ1	3.35%	6/30/25	-	250,000	2,094
Capital Projects	UBS Bank USA	Certificates of Deposits	90348J4C1	3.30%	6/30/25	-	250,000	2,063
Capital Projects	Ally Bank	Certificates of Deposits	02007GUG6	3.30%	12/30/25	-	250,000	2,063
Capital Projects	Capital One	Certificates of Deposits	14042THE0	3.40%	6/29/26	-	250,000	2,125
Capital Projects	Discover Bank	Certificates of Deposits	254673K39	3.25%	6/29/26	-	250,000	2,031
Capital Projects	Bank of America	Certificates of Deposits	8G4-02369	5.10%	3/14/25	-	250,000	6,122
Capital Projects	HPO	Cash and Sweeps Account	3338-9631	N/A	N/A	2,174,879	-	-
Capital Projects	U.S. Treasury Notes	\$250,000 Par	912828V23	2.25%	12/31/23	-	-	-
Capital Projects	U.S. Treasury Notes	\$500,000 Par	912828CEV9	3.25%	6/30/29	-	512,158	4,053
Capital Projects	U.S. Treasury Notes	\$503,000 Par	912828CGB1	3.88%	12/31/29	-	509,207	4,836
Capital Projects	U.S. Treasury Notes	\$504,000 Par	912828CHF1	3.75%	5/31/30	-	506,953	4,661
Capital Projects	U.S. Treasury Notes	\$500,000 Par	9128283P3	2.25%	12/31/24	-	497,000	2,772
Capital Projects	U.S. Treasury Notes	\$250,000 Par	912828T3	2.63%	12/31/25	-	246,270	1,625
Capital Projects	U.S. Treasury Notes	\$530,000 Par	912828U24	2.00%	11/15/26	-	512,298	2,492
Capital Projects	U.S. Treasury Notes	\$503,000 Par	912828CGC9	3.88%	12/31/27	-	507,618	4,826
Capital Projects	U.S. Treasury Notes	\$500,000 Par	912828CHK0	4.00%	12/31/23	-	507,265	4,986
Capital Projects	U.S. Treasury Notes	\$519,000 Par	9128285M8	3.13%	11/15/28	-	509,715	3,882
Capital Projects	U.S. Treasury Notes	\$504,000 Par	91282CCGB5	3.75%	12/31/30	-	506,601	4,671
Capital Projects	U.S. Treasury Notes	\$496,000 Par	91282CHF5	4.25%	12/31/31	-	513,107	5,311
Total - General Fund						480,013	-	-
Total - Capital Projects Fund						7,770,483	7,328,192	66,392
Total - All Funds						\$ 8,250,496	\$ 7,328,192	\$ 66,392

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
TSI 7a - COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
TEN YEARS ENDED SEPTEMBER 30, 2024

	AMOUNTS									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
REVENUE										
Service Revenues	7,864,304	8,065,333	7,949,067	7,479,036	6,594,330	5,812,742	5,407,962	6,012,017	6,018,111	5,159,613
Tap Connection Fees	183,251	183,251	243,985	200,924	90,080	110,492	78,503	99,850	117,757	122,280
Investment Income	32,376	40,144	10,220	-	7,308	21,101	9,240	3,434	98	-
Miscellaneous	17,700	-	9,986	(246)	2,927	5,919	209	167	15,838	15,029
TOTAL REVENUE	8,097,631	8,288,728	8,213,258	7,679,714	6,694,645	5,950,254	5,495,914	6,115,468	6,151,804	5,296,922
EXPENDITURES										
Water Purchased	2,103,630	1,976,952	2,002,749	1,901,263	2,035,969	1,716,089	1,573,764	1,910,655	1,874,737	1,586,685
Personnel Cost	2,519,173	2,423,996	2,134,016	1,844,879	1,863,586	1,941,722	1,704,391	1,655,706	1,512,489	1,444,738
Professional Fees	86,180	120,665	112,828	168,552	162,934	54,980	93,065	117,031	89,372	60,004
Repairs and Maintenance	690,128	626,395	526,500	478,099	327,743	258,644	275,548	279,333	283,113	251,698
Insurance	107,848	165,223	109,737	31,997	31,935	32,797	33,458	32,114	29,110	26,034
Legal Notices and Elections	5,663	593	660	4,182	707	1,209	1,024	387	858	1,399
Laboratory Cost and Testing	50,089	44,918	35,245	41,345	39,910	47,635	29,182	28,675	27,662	28,415
Fuel	27,156	29,669	32,886	22,222	15,557	19,900	22,657	20,111	16,608	22,738
Chemicals	75,584	95,539	57,673	39,710	41,046	33,828	37,583	37,626	40,426	42,160
Utilities	327,366	362,113	330,516	258,775	217,319	224,638	202,983	243,124	275,785	293,543
Seminars and Training	6,780	6,221	10,399	3,890	1,909	11,787	3,740	2,023	9,022	4,778
Permits, Fees & Assessments	83,414	40,612	82,191	69,179	55,600	51,760	49,740	51,668	49,947	46,561
Office & Land Lease - Net	19,587	273	1,448	21,100	49,584	47,570	35,485	1,413	1,413	1,288
Other Expenses	100,824	120,584	118,388	112,002	115,856	91,714	67,599	58,424	56,410	65,547
Capital Outlay	226,351	287,145	679,850	167,833	201,883	90,568	126,451	94,797	114,043	99,258
Transfers to the Capital Projects Fund	1,667,857	2,260,240	1,978,172	2,516,814	1,525,979	1,288,927	1,280,730	1,582,381	1,570,809	1,173,076
TOTAL EXPENDITURES	8,097,631	8,561,137	8,213,258	7,681,842	6,687,517	5,913,768	5,537,400	6,115,468	5,951,804	5,147,922
NET CHANGE IN FUND BALANCES	\$ -	\$ (272,409)	\$ -	\$ (2,128)	\$ 7,128	\$ 36,486	\$ (41,486)	\$ -	\$ 200,000	\$ 149,000

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
TSI 7a - COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
TEN YEARS ENDED SEPTEMBER 30, 2023

PERCENT OF FUND TOTAL REVENUES										
2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	
97.12%	97.30%	96.78%	97.39%	98.50%	97.69%	98.40%	98.31%	97.83%	97.41%	
2.26%	2.21%	2.97%	2.62%	1.35%	1.86%	1.43%	1.63%	1.91%	2.31%	
0.40%	0.48%	0.12%	0.00%	0.11%	0.35%	0.17%	0.06%	0.00%	0.00%	
0.22%	0.00%	0.12%	0.00%	0.04%	0.10%	0.00%	0.00%	0.26%	0.28%	
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
25.98%	23.85%	24.38%	24.76%	30.41%	28.84%	28.64%	31.24%	30.47%	29.95%	
31.11%	29.24%	25.98%	24.02%	27.84%	32.63%	31.01%	27.07%	24.59%	27.28%	
1.06%	1.46%	1.37%	2.19%	2.43%	0.92%	1.69%	1.91%	1.45%	1.13%	
8.52%	7.56%	6.41%	6.23%	4.90%	4.35%	5.01%	4.57%	4.60%	4.75%	
1.33%	1.99%	1.34%	0.42%	0.48%	0.55%	0.61%	0.53%	0.47%	0.49%	
0.07%	0.01%	0.01%	0.05%	0.01%	0.02%	0.02%	0.01%	0.01%	0.03%	
0.62%	0.54%	0.43%	0.54%	0.60%	0.80%	0.53%	0.47%	0.45%	0.54%	
0.34%	0.36%	0.40%	0.29%	0.23%	0.33%	0.41%	0.33%	0.27%	0.43%	
0.93%	1.15%	0.70%	0.52%	0.61%	0.57%	0.68%	0.62%	0.66%	0.80%	
4.04%	4.37%	4.02%	3.37%	3.25%	3.78%	3.69%	3.98%	4.48%	5.54%	
0.08%	0.08%	0.13%	0.05%	0.03%	0.20%	0.07%	0.03%	0.15%	0.09%	
1.03%	0.49%	1.00%	0.90%	0.83%	0.87%	0.91%	0.84%	0.81%	0.88%	
0.24%	0.00%	0.02%	0.27%	0.74%	0.80%	0.65%	0.02%	0.02%	0.02%	
1.25%	1.45%	1.44%	1.46%	1.73%	1.54%	1.23%	0.96%	0.92%	1.24%	
2.80%	3.46%	8.28%	2.19%	3.02%	1.52%	2.30%	1.55%	1.85%	1.87%	
20.60%	27.27%	24.09%	32.77%	22.79%	21.66%	23.30%	25.88%	25.53%	22.15%	
100.00%	103.29%	100.00%	100.03%	99.89%	99.39%	100.75%	100.00%	96.75%	97.19%	
0.00%	-3.29%	0.00%	-0.03%	0.11%	0.61%	-0.75%	0.00%	3.25%	2.81%	

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
TSI 7b - COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - CAPITAL PROJECTS
TEN YEARS ENDED SEPTEMBER 30, 2024

	AMOUNTS									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
REVENUE										
Capital Impact Fees	1,459,860	1,788,468	1,011,239	866,554	401,192	491,755	366,825	206,121	239,493	195,000
Interest Income	702,653	450,900	62,297	57,048	161,543	222,792	117,570	66,820	73,142	113,455
Insurance, FEMA, & Miscellaneous	81,797	96,416	398,573	170,609	4,432,399	1,665,950	906,182	128,003	-	-
Transfers from the General Fund	1,667,857	2,260,240	1,978,172	2,516,814	1,525,979	1,288,927	1,280,730	1,582,381	1,570,809	1,173,076
TOTAL REVENUE	3,912,166	4,596,024	3,450,281	3,611,025	6,521,113	3,669,424	2,671,307	1,983,325	1,883,444	1,481,531
EXPENDITURES										
Professional Fees	-	-	-	18,170	29,534	75,347	15,250	84,183	143,142	17,853
Repairs and Maintenance	222,332	204,985	128,680	115,276	86,240	347,735	957,805	206,139	47,720	265,533
Capital Outlay	4,006,752	3,509,587	501,102	3,531,621	5,700,274	1,179,000	1,895,081	1,888,630	1,950,257	1,020,669
TOTAL EXPENDITURES	4,229,084	3,714,572	629,782	3,665,067	5,816,048	1,602,082	2,868,136	2,178,952	2,141,119	1,304,055
NET CHANGE IN FUND BALANCES	\$ (316,917)	\$ 881,452	\$ 2,820,499	\$ (54,042)	\$ 705,065	\$ 2,067,342	\$ (196,829)	\$ (195,627)	\$ (257,675)	\$ 177,476

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO.
TSI 7b - COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - CAPITAL PROJECTS
TEN YEARS ENDED SEPTEMBER 30, 2024

PERCENT OF FUND TOTAL REVENUES										
2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	
37.32%	38.91%	29.31%	24.00%	6.15%	13.40%	13.73%	10.39%	12.72%	13.16%	
17.96%	9.81%	1.81%	1.58%	2.48%	6.07%	4.40%	3.37%	3.88%	7.66%	
2.09%	2.10%	11.55%	4.72%	67.97%	45.40%	33.92%	6.45%	0.00%	0.00%	
42.63%	49.18%	57.33%	69.70%	23.40%	35.13%	47.94%	79.78%	83.40%	79.18%	
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
0.00%	0.00%	0.00%	0.50%	0.45%	2.05%	0.57%	4.24%	7.60%	1.21%	
5.68%	4.46%	3.73%	3.19%	1.32%	9.48%	35.86%	10.39%	2.53%	17.92%	
102.42%	76.36%	14.52%	97.80%	87.41%	32.13%	70.94%	95.23%	103.55%	68.89%	
108.10%	80.82%	18.25%	101.50%	89.19%	43.66%	107.37%	109.86%	113.68%	88.02%	
-8.10%	19.18%	81.75%	-1.50%	10.81%	56.34%	-7.37%	-9.86%	-13.68%	11.98%	

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4
TSI-8 - BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For the Year Ended September 30, 2024

Name	Address	Terms of Office (Elected or Appointed)/Hire Date	Fees & Expense Reimbursements	Title at Year-End	Resident of District
BOARD MEMBERS					
Josh Garcia	P.O. Box 602; Port Aransas, Texas, 78573	5-22 to 5-26	None	President	Yes
Roy E. Reed	P.O. Box 599; Port Aransas, Texas, 78573	5-24 to 5-28	None	Director	Yes
Suzette Freeman	P.O. Box 2134; Port Aransas, Texas, 78573	5-24 to 5-28	None	Secretary	Yes
James Pate	211 Trojan St.; Port Aransas, Texas, 78573	5-24 to 5-28	None	Secretary Pro-Term	Yes
Walter Sohl	P.O. Box 3021; Port Aransas, Texas, 78573	5-22 to 5-26	None	Vice-President	Yes
KEY ADMINISTRATIVE PERSONNEL					
Scott Mack	Port Aransas, Texas, 78373	Dec-94	142,162	District Manager & Investment Officer	Yes
Larry Mendoza	Corpus Christi, Texas, 78415	Jun-21	99,179	Finance Director	No
CONSULTANTS					
Charles W. Zahn, Jr.	P.O. Box 941; Port Aransas, Texas, 78573	Mar-93	54,000	Attorney	Yes
Urban Engineering	2725 Swantner; Corpus Christi, Texas, 78404	Jun-74	491,388	Engineer	Yes
Adrian Webb, CPA	2623 W Alberta Rd, Edinburg, Texas 78539	Nov-23	32,000	Auditor	No
Del Sol Consulting	#2 Sanctuary Blvd #205, Mandeville, LA 78006	Mar-21	35,506	Consultant	No

Notes: 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 developers or with any of the District's consultants.

NUECES COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 4

INSURANCE IN FORCE

For the Year Ended September 30, 2024

INSURER:		Deductible	Amount of Coverage	Policy Period	
Policy Number	Coverage			From	To
TML INTERGOVERNMENTAL RISK POOL:					
Contract #8979				10/1/2023	10/1/2024
Liability Fund Equity Return & Discount					
	General Liability:	NONE	2,000,000		
	Cyber Liability Info Security & Privacy		1,000,000		
	Cyber Liability Breach Response		100,000		
	Sudden events involving pollution:	NONE			
	Each occurrence		2,000,000		
	Annual aggregate		4,000,000		
	Errors and Omissions - Each	5,000	2,000,000		
	Errors and Omissions - Aggregate		4,000,000		
Automobile:					
	Limits of Liability	NONE	1,000,000		
	Auto medical payments	NONE	25,000		
	Physical Damage - Per Vehicle	250			
	Physical Damage - Per Occurrence	10,000			
	Real and Personal Property:	250			
	Limits of coverage		9,611,564		
	Transit Limit		1,000,000		
	Equipment:	250			
	Mobile Equipment		338,764		
	Boiler & Machinery		250,000		
	Crime Policy		67,000		
TEXAS WINDSTORM INSURANCE ASSOCIATION:					
20483501	Windstorm, Hurricane, and Hail	1,000	5,363,000	10/13/2023	10/13/2024
INSURORS INDEMNITY COMPANY:					
801828	Director's Bond - Walter Sohl	NONE	10,000	11/5/2022	11/5/2026
WESTERN SURETY COMPANY:					
THE HARTFORD INSURANCE GROUP (A Stock Company)					
61BSBIU8200	Director's Bond - Josh Garcia	NONE	10,000	1/28/2022	Indefinitely
61BSBIU7288	Director's Bond - Suzette Freeman	NONE	10,000	1/25/2022	Indefinitely
61BSBIU7775	Director's Bond - Roy E. Sheed	NONE	10,000	1/15/2022	Indefinitely
61BSBIU7770	Director's Bond - James Pate	NONE	10,000	1/15/2022	Indefinitely
61BSBDH7604	Notary Bond - Sherry McLain	NONE	10,000	5/31/2021	5/31/2025
TML INTERGOVERNMENTAL RISK POOL:					
Contract #8979	Workman's Compensation	NONE	Statutory	10/1/2023	10/1/2024

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APPENDIX E

SELECTED PROVISIONS OF THE ORDER

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APPENDIX E

SELECTED PROVISIONS OF THE ORDER

The following contains certain selected provisions of the Order. This document should be qualified by reference to other provisions of the Order referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Order in the Official Statement are, separately and in whole, qualified by reference to the exact terms of the Order, a copy of which may be obtained from the District.

SECTION 9: Definitions. For all purposes of this Order (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 33 and 50 of this Order have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Order to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Order as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Order as a whole and not to any particular Section or other subdivision.

A. The term *Additional Parity Obligations* shall mean (i) bonds, notes, warrants, or other evidences of indebtedness which the District reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 19 of this Order and which are equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System, and (ii) obligations hereafter issued to refund any of the foregoing as determined by the Board, if issued in a manner so as to be payable from and equally ratably secured by a first and prior lien on and pledge of the Net Revenues.

B. The term *Authorized Officials* shall mean the President of the Board, the Secretary of the Board, or the District Manager, or the Finance Director.

C. The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements on all outstanding Bonds Similarly Secured when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Bonds Similarly Secured. For the purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds and accrued interest on any Bonds Similarly Secured shall be excluded in making the aforementioned computation

D. The term *Bond Fund* shall mean the special fund created and established by the provisions of Section 13 of this Order.

E. The term *Bonds* shall mean the \$12,000,000 “NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER 4 UTILITY SYSTEM REVENUE BONDS, SERIES 2026” authorized by this Order.

F. The term *Bonds Similarly Secured* shall mean the the Bonds and any Additional Parity Obligations hereafter issued by the District or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues.

G. The term *Closing Date* shall mean the date of physical delivery of the Initial Bonds in exchange for the payment in full by the Purchasers.

H. The term *District* shall mean the Nueces County Water Control and Improvement District Number 4, located in the Counties of Nueces, San Patricio and Aransas, Texas and, where appropriate, the Board of Directors of the District.

I. The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a national rating agency having an outstanding rating on any Bond would rate such Bond fully insured by a standard policy issued by the insurer in its highest generic rating category for such obligations, or (ii) a letter or line of credit issued by any financial institution, provided that a national rating agency having an outstanding rating on any Bond would rate such Bond in one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of such Bond and the interest thereon.

J. The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on or other payments due under such obligation, assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest or other payment obligations calculated by assuming (1) that such non-fixed interest rate for every future 12-month period is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the most recently reported yield, as of the time of calculation, at which United States Treasury obligations of like maturity have been sold and (2) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to stated maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the District under such hedge agreement from the amounts payable by the District under such hedge agreement and such obligations.

K. The term *Depository* shall mean an official depository bank of the District.

L. The term *Fiscal Year* shall mean the twelve month accounting period used by the District in connection with the operation of the System which may be any twelve consecutive month period established by the District, which period presently commences on October 1 of each year and ends on the following September 30.

M. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer 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; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer 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; or (iv) any additional securities and obligations hereafter issued by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

N. The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Bond.

O. The term *Inferior Lien Obligations* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the District that are payable wholly or in part from and equally and ratably secured by a lien on and pledge of the Net Revenues of the System, such pledge being junior and inferior to the lien on and pledge of the Net Revenues of the System that are or will be pledged to the payment of the Bonds and any Additional Parity Obligations hereafter issued by the District and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

P. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing August 1, 2026, while any of the Bonds remain Outstanding.

Q. The term *Maintenance and Operating Expenses* shall mean costs of operation, maintenance and necessary replacements to the System, the cost of insurance, the cost of supplies, costs incurred in providing water, and the payment of salaries and all other expenses properly incurred in operating and maintaining the System and keeping the same in good repair and operating condition, including any contract payments for the acquisition of water or other contract payments now or hereafter defined as operating expenses by the Texas Legislature. Depreciation shall never be considered as a Maintenance and Operating Expense.

R. The term *Net Revenues* shall mean all income and revenues from the operation of the System after the deduction of Maintenance and Operating Expenses.

S. The term *Order* shall mean this order adopted by the Board of Directors of the District on December 9, 2025.

T. The term *Outstanding* shall mean when used in this Order with respect to Bonds, as of the date of determination, all Bonds issued and delivered under this Order, except:

(1) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation in connection with the exchange or transfer of such obligations;

(2) those Bonds for which payment has been duly provided by the District in accordance with the provisions of Section 35 of this Order by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Order or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 31 of this Order.

U. The term *Previously Issued Parity Bonds* shall mean (i) the outstanding and unpaid obligations of the District that are payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System and

(ii) any Additional Parity Obligations hereafter issued by the District or bonds issued to refund any of the foregoing if issued in a manner that provides that the bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues.

V. The term *Purchasers* shall mean the initial purchasers of the Bonds named in Section 32 of this Order.

W. The term *Required Reserve Amount* shall mean the amount required to be deposited and maintained in the Reserve Fund under the provisions of Section 15 of this Order.

X. The term *Required Reserve Fund Deposits* shall mean the monthly amounts required to be deposited and maintained in the Reserve Fund under the provisions of Section 15 of this Order.

Y. The term *Special Facilities Bonds* shall mean shall mean bonds which the District expressly reserves the right to issue in Section 21 of this Order.

Z. The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on August 1 of each year, as set forth in Section 2 of this Order.

AA. The term *System* shall mean all properties, facilities, and plants currently owned, operated, and maintained by the District for the supply, treatment and transmission of treated potable water and the District's sanitary sewer system including collection and disposal facilities, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the District with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being special revenue obligations of the District which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 10: Pledge of Net Revenues. (a) The District hereby covenants and agrees that the Net Revenues of the System are hereby irrevocably pledged to the payment of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Bonds Similarly Secured shall constitute a first and prior lien on the Net Revenues of the System and be valid and binding without any physical delivery thereof or further act by the District, and the lien created hereby on the Net Revenues of the System for the payment and security of the Bonds Similarly Secured shall be prior in right and claim as to any other indebtedness, liability or obligation of the District or the System.

(b) Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of Net Revenues granted by the District under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the District is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in this pledge, the Board agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. The District hereby agrees and covenants to the holders of the Bonds Similarly Secured that it will at all times maintain rates and charges for water services furnished, provided, and supplied by the System to customers which shall be reasonable and nondiscriminatory and which will produce income and revenues sufficient to pay:

A. All Maintenance and Operating Expenses, depreciation, replacement and betterment expenses and other costs of the System.

B. The interest on and principal of the Bonds Similarly Secured as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Bonds.

C. The interest on and principal of the Inferior Lien Obligations, if any, as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Inferior Lien Obligations.

D. Any legal debt or obligation of the System as and when the same shall become due.

The District shall also fix and maintain rates and collect charges for the facilities and services afforded by the System, which will produce Net Revenues equal to at least 1.1 times the Debt Service Requirements due and payable on the outstanding Bonds Similarly Secured.

The District shall also determine within thirty (30) days after the end of each Fiscal Year whether it is in compliance with the requirements of the preceding paragraph. If it is not in such compliance, then the District will instruct its engineer to deliver recommendations to the District within thirty (30) days thereafter regarding recommended rates and charges which will permit it to be in such compliance, and the District shall implement the recommendations of its engineers within sixty (60) days thereafter. Within thirty (30) days after the implementation of such recommendations, the District shall direct its engineer to certify that the actions taken by the District at the direction of its engineer will be sufficient to permit the District to be in compliance within such Fiscal Year with the requirements of the preceding paragraph.

SECTION 12: Revenue Fund. There has been previously created and established and the District shall maintain a special fund entitled “Nueces County Water Control and Improvement District Number 4 System Revenue Fund” (the *Revenue Fund*) into which all revenues of every nature received from the operation of the System shall be deposited as received.

SECTION 13: Bond Fund – Surplus Bond Funds. For the sole purpose of paying the principal of and interest on the Bonds, there is hereby created and established and there shall be maintained a separate fund entitled “Nueces County Water Control and Improvement District Number 4 Utility System Revenue Bonds, Series 2026 Interest and Sinking Fund” (the *Bond Fund*).

Accrued interest, if any, received from the Purchasers of the Bonds shall be deposited into the Bond Fund. In addition, any surplus proceeds from the sale of the Bonds, including investment income thereon, not expended for authorized purposes shall be deposited in the Bond Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in such Fund from the Net Revenues of the System.

SECTION 14: Flow of Funds. The District hereby covenants and agrees that deposits into the Revenue Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

A. First: To the payment of all necessary and reasonable Maintenance and Operating Expenses or other expenses required by statute to be a first charge on and claim against the revenues of the System.

B. Second: To the payment of the amounts required to be deposited in the Bond Fund created and established for the payment of Debt Service Requirements on the Bonds Similarly Secured and the amounts required to be deposited in any reserve or contingency fund or account

created for the payment and security of the Bonds Similarly Secured, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a prior and first lien on and pledge of the Net Revenues of the System, as the same becomes due and payable.

C. Third: To the payment of the amounts required to be deposited in the interest and sinking fund created and established for the payment of debt service requirements on the Inferior Lien Obligations and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Inferior Lien Obligations, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a junior and inferior lien on and pledge of the Net Revenues of the System, as the same becomes due and payable.

Any Net Revenues remaining in the Revenue Fund after satisfying the foregoing payments or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other District purpose now or hereinafter permitted by law.

SECTION 15: Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the *Required Reserve Amount*) equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds or the most recently issued series of Additional Parity Obligations then Outstanding) for the Bonds Similarly Secured, the District hereby confirms the creation and establishment, and agrees to continue to maintain a separate and special fund or account known as the “Nueces County Water Control and Improvement District Number 4 Revenue Bond Reserve Fund (the *Reserve Fund*), which fund or account shall be maintained at the Depository. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund established in Section 12 of this Order during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds Similarly Secured.

Until the issuance of any Additional Parity Obligations, the Required Reserve Amount shall be \$742,753.34 (of which \$0.00 is already on deposit in the Reserve Fund), which shall be accumulated, if necessary, in the following manner. Beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers and on or before the tenth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the District covenants and agrees to deposit to the Reserve Fund from the Net Revenues of the System, or any other lawfully available funds, an amount not less than \$12,379.22 being the Required Reserve Fund Deposits.

As and when Additional Parity Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Parity Obligations, or, at the option of the District, by the deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of

the then proposed Additional Parity Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Parity Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Parity Obligations as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to said fund or account from the Net Revenues of the System, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the tenth day of each month until the Required Reserve Amount has been fully restored. The District further covenants and agrees that, subject only to the prior payments to be made to the Bond Fund and as required by the orders authorizing the issuance of any Additional Parity Obligations hereafter issued by the District, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of this Order and any other order pertaining to the issuance of any Additional Parity Obligations.

During such time as the Reserve Fund contains the Required Reserve Amount, the District may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the Revenue Fund (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

To the extent permitted by law, the District expressly reserves the right at any time to fund the Reserve Fund at the Required Reserve Amount by purchasing a Credit Facility that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve Amount in the event funds on deposit in the Bond Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. All orders adopted after the date hereof authorizing the issuance of Additional Parity Obligations shall contain a provision to this effect.

In the event a Credit Facility issued to satisfy all or part of the District's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve Amount, the District may transfer such excess amount to any fund or account established for the payment of or security for the Bonds Similarly Secured (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

Notwithstanding anything to the contrary contained in this Section, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve Amount shall be suspended for any Bonds Similarly Secured (including with respect to the Bonds) for such time as the Net Revenues for each Fiscal Year are equal to at least 120% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured outstanding. In the event that the Net Revenues for any Fiscal Year are less than 120% of the Average Annual Debt Service Requirements, the District will be required to commence making the deposits to the Reserve Fund as of the next Fiscal Year, as provided above, and to continue making such deposits until the earlier of (a) such time as the Reserve Fund contains the Required Reserve Amount or (b) the Net Revenues in each of two consecutive Fiscal Years have been equal to not less than 120% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured then outstanding.

SECTION 16: Deficiencies - Excess Net Revenues.

A. If on any occasion there shall not be sufficient Net Revenues of the System (after making all payments pertaining to the Bonds Similarly Secured) to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues of the System, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these funds or accounts during such month or months.

B. Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by any order authorizing the issuance of any Inferior Lien Obligations, the excess Net Revenues of the System may be used by the District for any lawful purpose.

SECTION 17: Payment of Bonds Similarly Secured. While any of the Bonds Similarly Secured are outstanding, the District Manager of the District or other Authorized Official, shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds Similarly Secured as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds Similarly Secured at the close of the business day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

SECTION 18: Investments. Funds held in any fund or account created, established, or maintained pursuant to this Order, at the option of the District, may be placed in time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks,

Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each order authorizing the issuance of the Bonds Similarly Secured. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 15, be credited to and deposited in the Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 19: Issuance of Additional Parity Obligations. The District hereby expressly reserves the right, in addition to the right to issue obligations that are payable from and secured, in whole or in part, by a junior and inferior lien on and pledge of the Net Revenues, to issue Additional Parity Obligations payable from a first and prior lien on and pledge of the Net Revenues of the System. When duly authorized and issued in compliance with law and the terms and conditions hereafter stated, such Additional Parity Obligations shall be on a parity with the Bonds. The District covenants and agrees, however, it will not issue any Additional Parity Obligations unless:

A. except for a refunding to cure a default, the District is not then in default as to any covenant, condition or obligation prescribed by the orders or resolutions authorizing the issuance of the Bonds Similarly Secured;

B. each of the funds created solely for the payment of principal of and interest on the Bonds Similarly Secured contains the amounts of money then required to be on deposit therein;

C. The District obtains a certificate from the District Manager to the effect that, according to the books and records of the District, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 15 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to one and one-fourth (1.25) times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Obligations then proposed. In making a determination of the Net Revenues, the District Manager may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective not more than ninety (90) days prior to adoption of the order authorizing the issuance of the Additional Parity Obligations and, for the purposes of satisfying the Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by the certification based on such change in rates and charges being in effect for the entire period covered by the District Manager's certificate;

D. the order authorizing the issuance of the Additional Parity Obligations provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Parity Obligations as the same mature; and

E. the order authorizing the issuance of the Additional Parity Obligations provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the Required Reserve Amount after giving effect to the issuance of the proposed Additional Parity Obligations, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Additional Parity Obligations are delivered.

All such Additional Parity Obligations provided for in this Section, when issued in accordance with the above provisions, shall be payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues, and the provisions of this Order relating to the use of Net Revenues shall be applicable to such Additional Parity Obligations as though the same were a part of such original authorization.

The right to issue such other and further Additional Parity Obligations shall exist as often as the need therefor shall arise and so long as such Additional Parity Obligations are issued in compliance with law and the terms and conditions contained in this Order.

SECTION 20: Issuance of Inferior Lien Obligations. The District hereby expressly reserves the right to hereafter issue bonds, notes, warrants, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a junior and inferior lien on and pledge of the Net Revenues of the System.

SECTION 21: Special Facilities Bonds. The District further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner.

SECTION 22: Maintenance of System - Insurance. The District covenants, agrees, and affirms its covenants that while the Bonds Similarly Secured remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the Bonds Similarly Secured until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions

hereof shall be considered Maintenance and Operating Expenses. Nothing in this Order shall be construed as requiring the District to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the District from doing so.

SECTION 23: Records and Accounts - Annual Audit. The District covenants, agrees, and affirms its covenants that so long as any of the Bonds Similarly Secured remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating to the System, and that the Holders of the Bonds Similarly Secured or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The District further agrees that following (and in no event later than 180 days) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Copies of each annual audit shall be furnished, without charge, to the (i) Executive Director of the Municipal Advisory Council of Texas at her office in Austin, Texas, or (ii) any subsequent Holder thereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 24: Special Covenants. The District hereby further covenants that:

A. It has the lawful power to pledge the Net Revenues supporting the Bonds and has lawfully exercised this power under the laws of the State of Texas, including the power existing under Chapters 49 and 51, as amended, Texas Water Code;

B. The Bonds Similarly Secured shall be equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System in a manner that one bond shall have no preference over any other bond;

C. Other than for the payment of the Bonds Similarly Secured, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the District or of the System;

D. As long as any Bonds, or any interest thereon, remain Outstanding, the District will not sell, lease, or encumber the System or any substantial part thereof (except as provided in Sections 19, 20, and 21 of this Order) provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

E. No free service of the System (except water provided to the District for municipal fire-fighting purposes, if any) shall be allowed, and, should the District or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the District out of funds from sources other than the revenues and income of the System; and

F. It will pay and discharge from time to time and before the same become delinquent all lawful debts and liabilities of the District and all lawful claims for rents, royalties, labor, materials or supplies which if unpaid might by law become a lien or charge upon any part of the System the lien of which would be prior to or interfere with the liens hereof, so that the priority of

the liens granted hereunder shall be fully preserved in the manner provided herein; and the District will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such debts, liabilities or claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the District.

SECTION 25: Limited Obligations of the District. The Bonds Similarly Secured are limited, special obligations of the District payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by the District.

SECTION 26: Security of Funds. All money on deposit in the funds or accounts for which this Order makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such funds or accounts shall be used only for the purposes permitted by this Order.

SECTION 27: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the District covenants and agrees particularly that in the event the District (a) defaults in the payments to be made to the Bond Fund or the Reserve Fund or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Order, the Holders of any of the Bonds Similarly Secured shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the District and other officers of the District to observe and perform any covenant, condition, or obligation prescribed in this Order.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

SECTION 28: Notices to Holders; Waiver. Wherever this Order provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to the address of each Holder as it appears in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Order provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but

such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 29: Bonds Are Negotiable Instruments. Each of the Bonds authorized herein shall be deemed and construed to be a “security” and as such a negotiable instrument with the meaning of the Chapter 8 of the Texas Uniform Commercial Code.

SECTION 30: Cancellation. All Bonds Similarly Secured surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the District, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The District may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds Similarly Secured previously certified or registered and delivered which the District may have acquired in any manner whatsoever, and all Bonds Similarly Secured so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled Bonds Similarly Secured held by the Paying Agent/Registrar shall be destroyed as directed by the District.

SECTION 31: Mutilated, Destroyed, Lost, and Stolen Bonds. If (1) any mutilated Bond Similarly Secured is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond Similarly Secured, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond Similarly Secured of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond Similarly Secured has become or is about to become due and payable, the District in its discretion may, instead of issuing a new Bond, pay such Bond Similarly Secured.

Upon the issuance of any new Bond Similarly Secured or payment in lieu thereof, under this Section, the District may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including attorney’s fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Bond Similarly Secured issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond Similarly Secured shall constitute a replacement of the prior obligation of the District, whether or not the mutilated, destroyed, lost, or stolen Bond Similarly Secured shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Order equally and ratably with all other Outstanding Bonds Similarly Secured.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds Similarly Secured.

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