

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM  
AND  
PRELIMINARY OFFICIAL STATEMENT**

**\$12,000,000\***

**NUECES COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 4  
UTILITY SYSTEM REVENUE BONDS, SERIES 2026**

**(A political subdivision of the State of Texas located in Nueces, San Patricio  
and Aransas Counties, Texas)**

**Bids due  
Tuesday, December 9, 2025  
at  
10:00 A.M., Central Standard Time**

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\*Preliminary, subject to change based on bid structures. See "THE BONDS - MATURITY SCHEDULE" and "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" in the Official Notice of Sale relating to the Bonds.



This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds defined and described herein. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

## OFFICIAL NOTICE OF SALE

**\$12,000,000\***

### **NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4 UTILITY SYSTEM REVENUE BONDS, SERIES 2026**

(A political subdivision of the State of Texas located in Nueces, San Patricio and Aransas Counties, Texas)

**BONDS OFFERED FOR SALE AT COMPETITIVE BID:** The Board of Directors (the "Board") of the Nueces County Water Control and Improvement District No. 4 (the "District" or the "Issuer") is offering for sale at competitive bid \$12,000,000\* Utility System Revenue Bonds, Series 2026 (the "Bonds").

**BIDS BY INTERNET:** Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 10:00 A.M., Central Standard Time, on December 9, 2025. Bidders submitting a bid by internet **shall not be required to submit signed Official Bid Forms prior to the award.** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of PARITY and should, as a courtesy, register with PARITY by 9:00 A.M., Central Standard Time, on December 9, 2025 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to [mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com). If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

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

**OPENING OF BIDS:** The bids for the Bonds will be publicly opened and reviewed at the San Antonio offices of SAMCO Capital Markets, Inc. (the "Financial Advisor"), 1020 NE Loop 410, Suite 640, San Antonio, Texas, 78209, at 10:00 A.M., Central Standard Time, on Tuesday, December 9, 2025.

**AWARD AND SALE OF THE BONDS:** The Board of Directors of the District will take action to reject the bids or accept the bid and award the Bonds to the low qualified bidder (the "Winning Bidder"), as described in the section entitled "CONDITIONS OF SALE – Basis for Award" herein by adopting an order authorizing the issuance and awarding the sale of the Bonds (the "Order") at a scheduled meeting to commence at 11:00 A.M. Central Standard Time on Tuesday, December 9, 2025.

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\*Preliminary, subject to change based on bid structures. See "THE BONDS - MATURITY SCHEDULE" and "THE BONDS – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE BONDS" in the Official Notice of Sale relating to the Bonds.

## THE BONDS

**DESCRIPTION OF CERTAIN TERMS OF THE BONDS:** The Bonds will be dated December 1, 2025 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially August 1, 2026, and each February 1 and August 1 thereafter until stated maturity or prior redemption. The Bonds will be issued as fully registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” in the Official Statement.) The Bonds will be stated to mature on August 1 in each of the following years in the following amounts:

### MATURITY SCHEDULE

(Due August 1)

| Stated<br><u>Maturity</u> | Principal<br><u>Amount*</u> | Stated<br><u>Maturity</u> | Principal<br><u>Amount*</u> |
|---------------------------|-----------------------------|---------------------------|-----------------------------|
| 2026                      | \$ 220,000                  | 2041                      | \$ 380,000                  |
| 2027                      | 185,000                     | 2042                      | 400,000                     |
| 2028                      | 200,000                     | 2043                      | 415,000                     |
| 2029                      | 210,000                     | 2044                      | 435,000                     |
| 2030                      | 225,000                     | 2045                      | 450,000                     |
| 2031                      | 240,000                     | 2046                      | 475,000                     |
| 2032                      | 255,000                     | 2047                      | 495,000                     |
| 2033                      | 275,000                     | 2048                      | 515,000                     |
| 2034                      | 290,000                     | 2049                      | 540,000                     |
| 2035                      | 300,000                     | 2050                      | 565,000                     |
| 2036                      | 315,000                     | 2051                      | 590,000                     |
| 2037                      | 325,000                     | 2052                      | 615,000                     |
| 2038                      | 340,000                     | 2053                      | 645,000                     |
| 2039                      | 355,000                     | 2054                      | 670,000                     |
| 2040                      | 370,000                     | 2055                      | 705,000                     |

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** The District reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed \$12,000,000\*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the District to reflect such increase or decrease. The District will attempt to maintain total per Bond underwriting spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

**SERIAL BONDS AND/OR TERM BONDS:** Bidders may provide that all the Bonds be issued as serial bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term bonds. (the “Term Bonds”).

**MANDATORY SINKING FUND REDEMPTION:** If the Winning Bidder designates principal amounts to be combined into one or more Term Bonds, each such Term Bond will be subject to mandatory sinking fund redemption commencing on August 1 of the first year which has been combined to form such Term Bond and continuing on August 1 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Bonds then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the District or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

\*Preliminary, subject to change.

**OPTIONAL REDEMPTION:** The District reserves the right, at its option, 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 to the date fixed for redemption as further described in the Official Statement.

**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 judgement 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. (See "THE BONDS – Source of and Security for Payment" herein).

**OTHER TERMS AND COVENANTS:** Other terms of the Order and the various covenants of the District contained in the Order are described in the Official Statement, to which reference is made for all purposes.

**SUCCESSOR PAYING AGENT/REGISTRAR:** The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the District covenants to provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Bonds.

In the Order, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, 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 District, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

#### **CONDITIONS OF SALE**

**TYPES OF BIDS AND INTEREST RATES:** The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Bonds from the Dated Date of the Bonds to the date of Initial Delivery (defined herein) of the Bonds. **No bid producing a cash price on the Bonds that results in a dollar price less than 99% of their par value will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE BONDS - ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Bonds (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 250 basis points (or 2% in rate).** No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

**BASIS OF AWARD:** The sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest Net Effective Interest Cost (defined herein) rate to the District. The "Net Effective Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Bonds on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Bonds plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), relating to the excludability of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the District (on or before the date of initial delivery of the Bonds) a certification as to their initial offering prices of the Bonds (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale. (See "CONDITIONS OF SALE - ESTABLISHMENT OF ISSUE PRICE" herein.)

#### **ESTABLISHMENT OF ISSUE PRICE:**

(a) The Winning Bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at least five (5) business days before the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be

appropriate or necessary, in the reasonable judgment of the Winning Bidder, the District, and Norton Rose Fulbright US LLP, the District's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Bonds under applicable federal regulations). All actions to be taken by the District under this Official Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the District by the District's Financial Advisor and any notice or report to be provided to the District may be provided to the District's Financial Advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the District shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the District may receive bids from at least three underwriters of municipal Bonds who have established industry reputations for underwriting new issuances of municipal Bonds; and
- (4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the District shall so advise the Winning Bidder. In such event, the District intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"). The District shall promptly advise the Winning Bidder, at or before the time of award of the Bonds, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Bonds. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the District.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(e) The District acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering price rule, if

applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Bonds to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled "ESTABLISHMENT OF ISSUE PRICE":

- (1) "public" means any person other than an underwriter or a related party,
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) "sale date" means the date that the Bonds are awarded by the District to the Winning Bidder.

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** See "THE BONDS – Adjustment of Principal Amounts and Maturity Schedule for the Bonds" for a description of the District's reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities.

**GOOD FAITH DEPOSIT:** A bank cashier's check payable to the order of "Nueces County Water Control and Improvement District No. 4" in the amount of \$240,000, which is 2% of the par value of the Bonds (the "Good Faith Deposit"), is required. The Good Faith Deposit will be retained uncashed by the District until the Bonds are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Bonds; however, should the Purchaser fail or refuse to take up and pay for the Bonds, said Good Faith Deposit is to be cashed by the District and the proceeds accepted as full and complete liquidated damages, except as provided under the caption "ADDITIONAL CONDITIONS OF AWARD – Statutory Representations and Covenants". See "ADDITIONAL CONDITIONS OF AWARD - Texas Attorney General Standing Letter". The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

## **ADDITIONAL CONDITION OF AWARD**

**DISCLOSURE OF INTERESTED PARTY FORM:** It is the obligation of the District to receive information from Winning Bidder if bidder is not a publicly traded business entity (a “Privately Held Bidder”). Pursuant to Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the District may not award the Bonds to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the District as prescribed by the Texas Ethics Commission (“TEC”). In the event that a Privately Held Bidder’s bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the District’s conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award.

**Process for completing the Disclosure Form.** For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (Nueces County Water Control and Improvement District No. 4) and (b) item 3 - the identification number assigned to this contract by the District (NCWC&ID4 RB 2026 – Bid Form) and description of the goods or services (Purchase of the Nueces County Water Control and Improvement District No. 4, Utility System Revenue Bonds, Series 2026 ). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require a non-publicly traded business entity contracting with the District to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/filinginfo/1295>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC’s “electronic portal” to the District. The executed Disclosure Form must be sent by email to the District’s financial advisor at [mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com), as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Stephanie Leibe, c/o Norton Rose Fulbright US LLP, 98 San Jacinto Boulevard, Suite 1100, Austin, Texas 78701-4255, along with a PDF executed version sent to [stephanie.leibe@nortonrosefulbright.com](mailto:stephanie.leibe@nortonrosefulbright.com).

**Preparations for completion, and the significance of, the reported information.** In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Bonds until a completed Disclosure Form is received. If applicable, the District reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC’s website at [https://www.ethics.state.tx.us/whatsnew/elf\\_info\\_form1295.htm](https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm).

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

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

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

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

***No Boycott of Energy Companies.*** Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the



term of the Purchase Contract. As used in the foregoing verification, “boycott energy companies” has the meaning provided in Section 2276.001(1), Government Code.

*Texas Attorney General Standing Letter.* The winning bidder represents that it has, as of the date bids are due on the Bonds and as of Closing, on file with the Texas Attorney General a standing letter addressing the representations and verifications hereinbefore described in this Notice of Sale in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2023) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a “Standing Letter”). In addition, if subsequent to the filing of its Standing Letter, the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking (a) confirmation or verification of the these representations and verifications or (b) written verification that such bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (each a “Request Letter”), the winning bidder shall promptly notify the District and Bond Counsel (if it has not already done so) and provide to the District or Bond Counsel, two business days prior to Closing and additionally upon request by the District or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the District and the Texas Attorney General (the “Bringdown Verification”). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail. The District reserves the right, in its sole discretion, to reject any bid from a bidder that does not satisfy the foregoing requirements as of the deadline for bids for the Bonds. Liability for breach of any such verification during the term of this contract for purchase shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this contract for purchase, notwithstanding anything in this contract for purchase to the contrary.

**IMPACT OF BIDDING SYNDICATE ON AWARD:** For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

#### OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the “Rule”), of the United States Securities and Exchange Commission (“SEC”), the District and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

**COMPLIANCE WITH RULE:** The District has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the District of the initial offering yields of the Bonds.

The District agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a “designated electronic format” (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board (“MSRB”). The District consents to the distribution of such documents in a “designated electronic format.” Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The District will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the District intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the District makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under “CERTIFICATION OF THE OFFICIAL STATEMENT” as described below. To the best knowledge and belief of the District, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds.

**FINAL OFFICIAL STATEMENT:** In addition to delivering the Official Statement in a “designated electronic format”, the District will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Bonds, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 100 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the District and the Bonds to subsequent purchasers of the Bonds, and the District will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The District's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall

terminate upon initial delivery of the Bonds to the Purchaser, unless the Purchaser notifies, in writing, the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Bonds have been sold to ultimate customers.

**CHANGES TO OFFICIAL STATEMENT:** If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - Conditions to Delivery", the District will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the District to do so will terminate when the District delivers the Bonds to the Purchaser, unless the Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

**MUNICIPAL BOND INSURANCE:** In the event the Bonds are qualified for municipal Bond Insurance, and the Purchaser desires to purchase such insurance, the cost thereof will be paid by the Purchaser. The District shall pay the rating agency fee for S&P. Any other fees to be paid to rating agencies as a result of said insurance will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. Any downgrade by rating agencies of the Bond Insurance provider shall not relieve the Purchaser of its obligation under the heading. See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" in the Preliminary Official Statement.

**CERTIFICATION OF THE OFFICIAL STATEMENT:** At the time of payment for and delivery of the hereinafter defined Initial Bonds (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, 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, for the Bonds, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, 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 financial statements of the District appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the Board of the District on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the District.

**CONTINUING DISCLOSURE AGREEMENT:** The District will agree in the Order to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Order containing the agreement described under such heading.

**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.

## **DELIVERY AND ACCOMPANYING DOCUMENTS**

**INITIAL DELIVERY OF INITIAL BOND:** The initial delivery of the Bonds to the Purchasers on the "Delivery Date" (identified below), will be accomplished by the issuance of either (i) a single fully registered Bond in the total principal amount of \$12,000,000\* payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Bond for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial Bond(s)"), signed by manual or facsimile signature of the Board President and the Board Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Bonds will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Bond(s), they shall be immediately canceled and one Bond for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Bond(s) must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery of the Initial Bonds can be made on or about January 7, 2026, but if for any reason the District is unable to make delivery by January 7, 2026, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Bonds. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the District's reasonable control.

**EXCHANGE OF INITIAL BONDS FOR DEFINITIVE BONDS:** Upon payment for the Initial Bond(s) at the time of such delivery, the Initial Bond(s) are to be canceled by the Paying Agent/Registrar and registered definitive Bonds delivered in lieu thereof, in multiples of

\$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Bonds shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Bond(s), final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Bond(s) and delivery of registered definitive Bonds may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

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

**CONDITIONS TO DELIVERY:** The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Bond, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "No Material Adverse Change", all as described below. In addition, if the District fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

**NO MATERIAL ADVERSE CHANGE:** The obligation of the Purchaser to take up and pay for the Bonds, and of the District to deliver the Initial Bond(s), are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Bond(s), there shall have been no material adverse change in the affairs of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

**LEGAL OPINIONS:** The Bonds are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

**CHANGE IN TAX-EXEMPT STATUS:** At any time before the Bonds are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Bonds shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

## **GENERAL CONSIDERATIONS**

**FUTURE REGISTRATION:** 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 Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the 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. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (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 its 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 interest rate as the Bonds surrendered for exchange or transfer.

**RECORD DATE:** The record date ("Record Date") for determining the party to whom the semiannual interest on the Bonds is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

**RATING:** A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchasers as soon as possible. (See "OTHER PERTINENT INFORMATION – Ratings" in the Preliminary Official Statement). 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 District makes no representations as to the appropriateness of the rating. If the Purchaser chooses to submit a bid utilizing Bond Insurance, the enhanced long-term rating on the Bonds will be dependent upon the rating of the provider of such policy. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" in the Preliminary Official Statement. 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 such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

**SALE OF ADDITIONAL BONDS:** The District currently has no definitive plans to issue additional obligations in the next 12 months.

**REGISTRATION AND QUALIFICATION OF BONDS FOR SALE:** No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration 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 expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Bonds are offered for sale.

**ADDITIONAL COPIES:** Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from [www.samcocapital.com](http://www.samcocapital.com).

The Board of the District has approved the form and content of the Official Notice of Sale, the Official Bid Form, and the Official Statement and authorized the use thereof in its initial offering of the Bonds. On the date of the sale, the Bonds will, in the Order authorizing the issuance of the Bonds, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

/s/ \_\_\_\_\_  
President, Board of Directors  
NUECES COUNTY WATER CONTROL AND IMPROVEMENT  
DISTRICT NO. 4

ATTEST:

/s/ \_\_\_\_\_  
Secretary, Board of Directors  
NUECES COUNTY WATER CONTROL AND IMPROVEMENT  
DISTRICT NO. 4

December 9, 2025

**OFFICIAL BID FORM**

Honorable Board President and Board  
Nueces County Water Control and Improvement District No. 4  
200 Howard Blvd.  
Port Aransas, Texas 78373

December 9, 2025

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated December 2, 2025, which terms are incorporated by reference to this proposal, we hereby submit the following bid for \$12,000,000\* Nueces County Water Control and Improvement District No. 4 Utility System Revenue Bonds, Series 2026, dated December 1, 2025 (the "Bonds").

For said legally issued Bonds, we will pay you \$\_\_\_\_\_ (a dollar price not less than 99% of par value) plus accrued interest from their date to the date of delivery to us, for Bonds maturing August 1 and bearing interest per annum as follows:

| Year of<br>Stated<br>Maturity | Principal Amount<br>at Stated<br>Maturity | Coupon % | Year of<br>Stated<br>Maturity | Principal Amount<br>at Stated<br>Maturity | Coupon % |
|-------------------------------|---|----------|-------------------------------|---|----------|
| 2026                          | \$ 220,000                                |          | 2041*                         | \$ 380,000                                |          |
| 2027                          | 185,000                                   |          | 2042*                         | 400,000                                   |          |
| 2028                          | 200,000                                   |          | 2043*                         | 415,000                                   |          |
| 2029                          | 210,000                                   |          | 2044*                         | 435,000                                   |          |
| 2030                          | 225,000                                   |          | 2045*                         | 450,000                                   |          |
| 2031                          | 240,000                                   |          | 2046*                         | 475,000                                   |          |
| 2032                          | 255,000                                   |          | 2047*                         | 495,000                                   |          |
| 2033                          | 275,000                                   |          | 2048*                         | 515,000                                   |          |
| 2034                          | 290,000                                   |          | 2049*                         | 540,000                                   |          |
| 2035                          | 300,000                                   |          | 2050*                         | 565,000                                   |          |
| 2036*                         | 315,000                                   |          | 2051*                         | 590,000                                   |          |
| 2037*                         | 325,000                                   |          | 2052*                         | 615,000                                   |          |
| 2038*                         | 340,000                                   |          | 2053*                         | 645,000                                   |          |
| 2039*                         | 355,000                                   |          | 2054*                         | 670,000                                   |          |
| 2040*                         | 370,000                                   |          | 2055*                         | 705,000                                   |          |

*\*Maturities available for term Bonds*

Our calculation (which is not part of this bid) of the Net \_\_\_\_\_ %  
Effective Interest Cost from the above is:

We are (are not) having the Bonds of the following maturities \_\_\_\_\_ insured by \_\_\_\_\_ at a premium of \$\_\_\_\_\_. The premium will be paid by the Winning Bidder. Any fees due to Rating Agencies, other than S&P Global Ratings ("S&P"), as a result of said insurance will be paid by the Winning Bidder. The District will pay the fee due to S&P.

\_\_\_\_\_  
*\*Preliminary; subject to change.*

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** As a condition to our submittal of this bid for the Bonds, we acknowledge the following: The District reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed \$12,000,000\*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the District to reflect such increase or decrease. The District will attempt to maintain total per Bond underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the principal maturities set forth in the table above, we have created term Bonds (the "Term Bonds") as indicated in the following table (which may include no more than five Term Bonds). For those years which have been combined into a Term Bond, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Bond maturity date will mature in such year. The Term Bonds created are as follows:

| Term Bond<br>Maturity Date<br>August 1 |  | Year of<br>First Mandatory<br>Redemption |  | Principal<br>Amount of<br>Term Bond |  | Interest<br>Rate |
|--|--|--|--|-------------------------------------|--|------------------|
|  |  |  |  |                                     |  |                  |
|  |  |  |  |                                     |  |                  |
|  |  |  |  |                                     |  |                  |
|  |  |  |  |                                     |  |                  |
|  |  |  |  |                                     |  |                  |

The Initial Bond(s) shall be registered in the name of \_\_\_\_\_, which will, upon payment for the Bonds, be cancelled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the \_\_\_\_\_ Bank, \_\_\_\_\_, Texas, in the amount of \$240,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Bonds utilizing the Book-Entry-Only System through DTC and make payment for the Initial Bonds in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 10:00 CST A.M., Central Time, on January 7, 2026, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the Purchaser of the Bonds to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidence thereof, agrees to complete, execute, and deliver to the District, by the Delivery Date, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the District. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it (1) does not and will not "boycott Israel", (2) is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, (3) does not and will not "discriminate against a firearm entity or firearm trade association", (4) does not and will not "boycott energy companies" and (5) it has, as of the date of this official bid form and as of Closing on file with the Texas Attorney General a standing letter addressing the representations and verifications in (1) through (4), all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD", which are included in Exhibit A to this Official Bid Form and incorporated herein for all purposes.

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

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – Disclosure of Interested Party Form", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the District's financial advisor at mmcliney@samccapital.com and Bond Counsel at stephanie.leibe@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

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

By: \_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Nueces County Water Control and Improvement District No. 4, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 9th day of December, 2025.

ATTEST:

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Secretary, Board of Directors  
NUECES COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 4

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President, Board of Directors  
NUECES COUNTY WATER CONTROL AND  
IMPROVEMENT DISTRICT NO. 4

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**EXHIBIT A**  
**Statutory Representations and Covenants and Texas Attorney General Standing Letter**

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

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

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

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

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

**Texas Attorney General Standing Letter.** The undersigned represents that it has, as of the date of this Official Bid Form and as of Closing will have, on file with the Texas Attorney General a standing letter addressing the representations and verifications hereinbefore described in the Notice of Sale and in this Official Bid Form in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2023) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a "Standing Letter"). In addition, if subsequent to the filing of its Standing Letter, the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking (a) confirmation or verification of the these representations and verifications or (b) written verification that such winning bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (each a "Request Letter"), the winning bidder shall promptly notify the District and Bond Counsel (if it has not already done so) and provide to the District or Bond Counsel, two business days prior to Closing and additionally upon request by the District or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the District and the Texas Attorney General (the "Bringdown Verification"). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail. The District reserves the right, in its sole discretion, to reject any bid from a bidder that does not satisfy the foregoing requirements as of the deadline for bids for the Bonds. Liability for breach of any such verification during the term of this contract for purchase shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this contract for purchase, notwithstanding anything in this contract for purchase to the contrary.

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**\$12,000,000\***  
**NUECES COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**  
**UTILITY SYSTEM REVENUE BONDS, SERIES 2026**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (“\_\_\_\_\_”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Obligations”) of the Nueces County Water Control and Improvement District No. 4 (the “Issuer”).

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by \_\_\_\_\_ are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Obligations used by \_\_\_\_\_ in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by \_\_\_\_\_ to purchase the Obligations.

(b) \_\_\_\_\_ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by \_\_\_\_\_ constituted a firm offer to purchase the Obligations.

**2. Defined Terms.**

(a) Maturity means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is December 9, 2025.

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

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents \_\_\_\_\_ interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

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SCHEDULE A  
EXPECTED OFFERING PRICES

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SCHEDULE B

COPY OF UNDERWRITER'S BID

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This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

NEW ISSUE - BOOK-ENTRY-ONLY

Ratings: S&P: "Applied For"  
(See: "OTHER PERTINENT INFORMATION - Ratings"  
"BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein)

**PRELIMINARY OFFICIAL STATEMENT**  
**December 2, 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") to be 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.)

The District has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. The Purchaser (hereinafter defined) will be responsible for paying the insurance premium. See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

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

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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.

**BIDS DUE TUESDAY, DECEMBER 9, 2025 10:00 A.M. CENTRAL STANDARD TIME**

\*Preliminary, subject to change

**\$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**

CUSIP BASE \_\_\_\_\_

**MATURITY SCHEDULE\***

| Stated<br>Maturity<br>August 1 | Principal<br>Amount* | Interest<br>Rate (%) | Initial<br>Yield (%) | CUSIP<br>Suffix <sup>(a)</sup> |
|--------------------------------|----------------------|----------------------|----------------------|--------------------------------|
| 2026                           | \$ 220,000           |                      |                      |                                |
| 2027                           | 185,000              |                      |                      |                                |
| 2028                           | 200,000              |                      |                      |                                |
| 2029                           | 210,000              |                      |                      |                                |
| 2030                           | 225,000              |                      |                      |                                |
| 2031                           | 240,000              |                      |                      |                                |
| 2032                           | 255,000              |                      |                      |                                |
| 2033                           | 275,000              |                      |                      |                                |
| 2034                           | 290,000              |                      |                      |                                |
| 2035                           | 300,000              |                      |                      |                                |
| 2036                           | 315,000              |                      |                      |                                |
| 2037                           | 325,000              |                      |                      |                                |
| 2038                           | 340,000              |                      |                      |                                |
| 2039                           | 355,000              |                      |                      |                                |
| 2040                           | 370,000              |                      |                      |                                |
| 2041                           | 380,000              |                      |                      |                                |
| 2042                           | 400,000              |                      |                      |                                |
| 2043                           | 415,000              |                      |                      |                                |
| 2044                           | 435,000              |                      |                      |                                |
| 2045                           | 450,000              |                      |                      |                                |
| 2046                           | 475,000              |                      |                      |                                |
| 2047                           | 495,000              |                      |                      |                                |
| 2048                           | 515,000              |                      |                      |                                |
| 2049                           | 540,000              |                      |                      |                                |
| 2050                           | 565,000              |                      |                      |                                |
| 2051                           | 590,000              |                      |                      |                                |
| 2052                           | 615,000              |                      |                      |                                |
| 2053                           | 645,000              |                      |                      |                                |
| 2054                           | 670,000              |                      |                      |                                |
| 2055                           | 705,000              |                      |                      |                                |

**(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 Purchaser may select any two or more consecutive maturities of the Bonds to be grouped together as a "Term Bond" and such Term Bonds would be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

\*Preliminary, subject to change.

<sup>(1)</sup> 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.

**ELECTED AND APPOINTED OFFICIALS**

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

**BOARD OF DIRECTORS:**

| <b>Name</b>     | <b>Position</b>   | <b>Current<br/>Term Expires (December )</b> |
|-----------------|-------------------|---|
| 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**

| <b>Name</b>   | <b>Position</b>  | <b>Length of Service With District</b> |
|---------------|------------------|--|
| 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 Accountant..... Adrian Webb, CPA  
Edinburg, Texas

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

*For Additional Information Please Contact*

Mr. Scott Mack  
Manager  
Nueces County Water Control and  
Improvement District No. 4  
200 Howard Blvd.  
Port Aransas, Texas 78373  
Telephone: (361) 749-5201  
[smack@ncwcid4.org](mailto:smack@ncwcid4.org)

Mr. Mark McLiney  
Mr. Andrew Friedman  
SAMCO Capital Markets, Inc.  
1020 NE Loop 410, Suite 640  
San Antonio, Texas 78209  
Telephone: (210) 832-9760  
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[afriedman@samcocapital.com](mailto:afriedman@samcocapital.com)

## USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT

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

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, or the bond insurer, if any, and its municipal bond insurance policy described herein under the heading “BOND INSURANCE”, as such information has been provided by DTC and the bond insurer, respectively.

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 PRELIMINARY 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.

|                               |  |
|-------------------------------|--|
| <b>The Issuer</b>             | 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.  |
| <b>The Bonds</b>              | 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") to be adopted by the District's Board of Directors (the "Board") on December 9, 2025. (See "THE BONDS – Authority for Issuance" herein.)   |
| <b>Redemption</b>             | 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 Purchaser may select any two or more consecutive maturities of the Bonds to be grouped together as a "Term Bond" and such Term Bonds would be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)   |
| <b>Paying Agent/Registrar</b> | The initial Paying Agent/Registrar will be BOKF, NA, Dallas, Texas.  |
| <b>Security for Payment</b>   | 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.) |
| <b>Book-Entry-Only System</b> | 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.)  |
| <b>Tax Matters</b>            | 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.)   |
| <b>Use of Bond Proceeds</b>   | 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.)  |
| <b>Ratings</b>                | A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)  |
| <b>Bond Insurance</b>         | The District has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" 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.

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**PRELIMINARY 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”) to be 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                        | \$ _____ |
| Accrued Interest on the Bonds                  | _____    |
| [Net] Reoffering Premium/Discount on the Bonds | _____    |
| Total Sources of Funds                         | =====    |
| Uses   |          |
| Project Fund Deposit                           | \$ _____ |
| Purchasers' Discount                           | _____    |
| Bond Fund Deposit                              | _____    |
| Costs of Issuance                              | _____    |
| Total Uses                                     | =====    |

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") to be 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 \$\_\_\_\_\_, 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 \$\_\_\_\_\_ 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**

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.

The Purchaser may group two or more serial maturities of Bonds into term Bonds (the “Term Bonds”). Term Bonds will also be subject to mandatory sinking fund redemption.

#### **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 or 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. In connection with the sale of the Bonds the District may restrict such eligible securities as deemed appropriate. 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 or of 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](http://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.

#### **BOND INSURANCE**

The District has made application to municipal bond insurance companies (the “Insurer”) to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy (the “Policy”). The decision to purchase a municipal bond insurance policy may be at the sole discretion of the Purchaser in connection with the Purchaser’s winning bid for the purchase of the Bonds. If the Purchaser elects to have the Bonds guaranteed by a municipal bond insurance policy, the Purchaser shall be responsible for the payment of the premium for such policy. If the District obtains a commitment from the Insurer to provide the Policy, the final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Policy.

#### **BOND INSURANCE GENERAL RISKS**

If a Policy is purchased as a result of the District accepting a bid for the Bonds that incorporate the acquisition of such a policy, the following are risk factors relating to the bond insurance.

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

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “THE BONDS - Default and Remedies”). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable from a first and prior lien on and pledge of the Net Revenues derived from the operation of the District’s System. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the long-term rating on the Bonds will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Bonds, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. (See the disclosure described in “OTHER PERTINENT INFORMATION - Ratings” herein.)

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

Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “BOND INSURANCE” herein.



## **CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS**

Moody's Investors Services, Inc., S&P Global Ratings ("S&P"), and Fitch Ratings, Inc. (collectively the "Rating Agencies") have, since 2008, downgraded, and/or placed on negative credit watch, the claims-paying ability and financial strength of all providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all Bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of municipal bond insurers. Thus, when making an investment decision, potential investors should carefully consider the ability of any such municipal bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such municipal bond insurer, particularly over the life of the investment.

## **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.

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>    |

<sup>(1)</sup> 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](http://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](http://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 will adopt 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 (although the District has applied for a municipal insurance policy on the Bonds), 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**

Municipal bond rating application for the Bonds has been made to S&P. The outcome of the results will be made available as soon as possible. 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 \_\_\_\_\_ (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 \$ \_\_\_\_\_, 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 will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Bonds by the Purchasers.

This Official Statement will be 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/\_\_\_\_\_  
President, Board of Directors

ATTEST:  
\_\_\_\_\_  
/s/\_\_\_\_\_  
Secretary, Board of Directors

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**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 * |
|---|-----------------|

\* Preliminary, subject to change.

## 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 |              |              |              |              |
|---|-------------------|--------------|--------------|--------------|--------------|
|   | 9/30/2024         | 9/30/2023    | 9/30/2022    | 9/30/2021    | 9/30/2020    |
| 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   |           | 17,789,393        |
| <b>Total</b>   | <b>\$</b> | <b>18,315,831</b> |

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

| Fiscal Year   | The Bonds*           |                         |                      |
|---------------|----------------------|-------------------------|----------------------|
|               | Principal            | Interest <sup>(1)</sup> | Total Debt Service*  |
| <b>30-Sep</b> |                      |                         |                      |
| 2026          | \$ 220,000           | \$ 374,157              | \$ 594,157           |
| 2027          | 185,000              | 546,935                 | 731,935              |
| 2028          | 200,000              | 534,910                 | 734,910              |
| 2029          | 210,000              | 521,910                 | 731,910              |
| 2030          | 225,000              | 508,260                 | 733,260              |
| 2031          | 240,000              | 493,635                 | 733,635              |
| 2032          | 255,000              | 478,035                 | 733,035              |
| 2033          | 275,000              | 461,460                 | 736,460              |
| 2034          | 290,000              | 443,585                 | 733,585              |
| 2035          | 300,000              | 431,985                 | 731,985              |
| 2036          | 315,000              | 419,985                 | 734,985              |
| 2037          | 325,000              | 407,385                 | 732,385              |
| 2038          | 340,000              | 394,385                 | 734,385              |
| 2039          | 355,000              | 380,785                 | 735,785              |
| 2040          | 370,000              | 366,585                 | 736,585              |
| 2041          | 380,000              | 351,785                 | 731,785              |
| 2042          | 400,000              | 336,110                 | 736,110              |
| 2043          | 415,000              | 319,110                 | 734,110              |
| 2044          | 435,000              | 300,956                 | 735,956              |
| 2045          | 450,000              | 281,925                 | 731,925              |
| 2046          | 475,000              | 261,675                 | 736,675              |
| 2047          | 495,000              | 240,300                 | 735,300              |
| 2048          | 515,000              | 218,025                 | 733,025              |
| 2049          | 540,000              | 194,850                 | 734,850              |
| 2050          | 565,000              | 170,550                 | 735,550              |
| 2051          | 590,000              | 145,125                 | 735,125              |
| 2052          | 615,000              | 118,575                 | 733,575              |
| 2053          | 645,000              | 90,900                  | 735,900              |
| 2054          | 670,000              | 61,875                  | 731,875              |
| 2055          | 705,000              | 31,725                  | 736,725              |
|               | <b>\$ 12,000,000</b> | <b>\$ 9,887,490</b>     | <b>\$ 21,887,490</b> |

\* Preliminary; subject to change.

<sup>(1)</sup> Interest calculated at an assumed rate for purpose of illustration.

**PRINCIPAL REPAYMENT SCHEDULE**

| Fiscal<br>Year Ending<br>30 September | Principal Repayment<br>Schedule* |    | Bonds<br>Unpaid at<br>End of Year* | Percent of<br>Principal<br>Retired (%)* |
|---------------------------------------|----------------------------------|----|------------------------------------|---|
|                                       | The Bonds                        | t  |                                    |   |
| 2026                                  | \$ 220,000                       | \$ | 11,780,000                         | 1.83%                                   |
| 2027                                  | 185,000                          |    | 11,595,000                         | 3.38%                                   |
| 2028                                  | 200,000                          |    | 11,395,000                         | 5.04%                                   |
| 2029                                  | 210,000                          |    | 11,185,000                         | 6.79%                                   |
| 2030                                  | 225,000                          |    | 10,960,000                         | 8.67%                                   |
| 2031                                  | 240,000                          |    | 10,720,000                         | 10.67%                                  |
| 2032                                  | 255,000                          |    | 10,465,000                         | 12.79%                                  |
| 2033                                  | 275,000                          |    | 10,190,000                         | 15.08%                                  |
| 2034                                  | 290,000                          |    | 9,900,000                          | 17.50%                                  |
| 2035                                  | 300,000                          |    | 9,600,000                          | 20.00%                                  |
| 2036                                  | 315,000                          |    | 9,285,000                          | 22.63%                                  |
| 2037                                  | 325,000                          |    | 8,960,000                          | 25.33%                                  |
| 2038                                  | 340,000                          |    | 8,620,000                          | 28.17%                                  |
| 2039                                  | 355,000                          |    | 8,265,000                          | 31.13%                                  |
| 2040                                  | 370,000                          |    | 7,895,000                          | 34.21%                                  |
| 2041                                  | 380,000                          |    | 7,515,000                          | 37.38%                                  |
| 2042                                  | 400,000                          |    | 7,115,000                          | 40.71%                                  |
| 2043                                  | 415,000                          |    | 6,700,000                          | 44.17%                                  |
| 2044                                  | 435,000                          |    | 6,265,000                          | 47.79%                                  |
| 2045                                  | 450,000                          |    | 5,815,000                          | 51.54%                                  |
| 2046                                  | 475,000                          |    | 5,340,000                          | 55.50%                                  |
| 2047                                  | 495,000                          |    | 4,845,000                          | 59.63%                                  |
| 2048                                  | 515,000                          |    | 4,330,000                          | 63.92%                                  |
| 2049                                  | 540,000                          |    | 3,790,000                          | 68.42%                                  |
| 2050                                  | 565,000                          |    | 3,225,000                          | 73.13%                                  |
| 2051                                  | 590,000                          |    | 2,635,000                          | 78.04%                                  |
| 2052                                  | 615,000                          |    | 2,020,000                          | 83.17%                                  |
| 2053                                  | 645,000                          |    | 1,375,000                          | 88.54%                                  |
| 2054                                  | 670,000                          |    | 705,000                            | 94.13%                                  |
| 2055                                  | 705,000                          |    | -                                  | 100.00%                                 |
|                                       | <u>\$ 12,000,000</u>             |    |                                    |   |

\* Preliminary; subject to change.

**CAPITAL ASSETS**
**TABLE 5**

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

|                                | Beginning Balance<br>10/01/2023 | Additions             | Transfers/<br>Disposals | Ending Balance<br>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 | 175,975                         | 44,511                | -                       | 220,486                      |
| 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

| <b>Water and Wastewater Rates</b>  |                                     |                         |                                   |
|--|-------------------------------------|-------------------------|-----------------------------------|
| <b>Meter Size</b>  | <b>Water Rate*</b>                  | <b>Wastewater Rate*</b> | <b>Connect Fee/<br/>Workorder</b> |
|  | 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<br>minimum   | \$6.12                              | \$4.24                  |                                   |
| * Each individual metered apartment, SF<br>Unit, RV, etc are subject to SF min sewer |                                     |                         |                                   |
| Approved sewer dump and refill<br>max. 2000 gallons                                  |                                     |                         | \$100.00                          |

Source: Information provided by the District.

**TOP 10 USERS - 2024****TABLE 8**

| <b>Account Name</b>        | <b>Gallons</b> | <b>% of Total</b> |
|----------------------------|----------------|-------------------|
| 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  
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United States

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Fax +1 512 536 4598  
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**DRAFT**

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 \$\_\_\_\_\_, 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 20\_\_ through 20\_\_, unless 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](http://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**



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**ADRIAN WEBB, CPA**

Certified Public Accountant

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

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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) |            |
|--|----------------------|----------------------|---------------------|------------|
|  |                      |                      | \$                  | %          |
| <b>ASSETS &amp; DEFERRED OUTFLOWS:</b>                 |                      |                      |                     |            |
| 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>  |
| <b>LIABILITIES &amp; DEFERRED INFLOWS:</b>             |                      |                      |                     |            |
| 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> |
| <b>NET POSITION:</b>                                   |                      |                      |                     |            |
| 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>  |
| <b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b> | <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)   |             |
|--|----------------------|------------------|----------------------|------------------|-----------------------|-------------|
|  |                      |                  |                      |                  | \$                    | %           |
| <b>Revenues:</b>                           |                      |                  |                      |                  |                       |             |
| 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> |
| <b>Expenses:</b>                           |                      |                  |                      |                  |                       |             |
| 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>   |
| <b>Increase (Decrease) in Net Position</b> | <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 |
|---|---------------------|-----------------------|----------------------|----------------------|---------------------------|
| <b>ASSETS</b>   |                     |                       |                      |                      |                           |
| 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                |
| <b>TOTAL ASSETS</b>   | <b>1,437,849</b>    | <b>15,165,007</b>     | <b>16,602,856</b>    | <b>52,671,924</b>    | <b>69,274,780</b>         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                     |                       |                      |                      |                           |
| Deferred Outflows Related to Pension                                      | -                   | -                     | -                    | 644,824              | 644,824                   |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>-</b>            | <b>-</b>              | <b>-</b>             | <b>644,824</b>       | <b>644,824</b>            |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 1,437,849</b> | <b>\$ 15,165,007</b>  | <b>\$ 16,602,856</b> | <b>\$ 53,316,748</b> | <b>\$ 69,919,604</b>      |
| <b>LIABILITIES</b>  |                     |                       |                      |                      |                           |
| 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                 |
| <b>TOTAL LIABILITIES</b>  | <b>887,849</b>      | <b>4,349</b>          | <b>892,198</b>       | <b>2,098,393</b>     | <b>2,990,591</b>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                     |                       |                      |                      |                           |
| Deferred Inflows Related to Pension                                       | -                   | -                     | -                    | 338,639              | 338,639                   |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>-</b>            | <b>-</b>              | <b>-</b>             | <b>338,639</b>       | <b>338,639</b>            |
| <b>FUND BALANCES</b>  |                     |                       |                      |                      |                           |
| Nonspendable  | 91,419              | -                     | 91,419               |                      |                           |
| Restricted  | -                   | 7,132,931             | 7,132,931            |                      |                           |
| Committed   | -                   | 8,027,727             | 8,027,727            |                      |                           |
| Unassigned  | 458,581             | -                     | 458,581              |                      |                           |
| <b>TOTAL FUND BALANCES</b>  | <b>550,000</b>      | <b>15,160,658</b>     | <b>15,710,658</b>    |                      |                           |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <b>\$ 1,437,849</b> | <b>\$ 15,165,007</b>  | <b>\$ 16,602,856</b> |                      |                           |
| <b>NET POSITION</b>   |                     |                       |                      |                      |                           |
| 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)               |
| <b>TOTAL NET POSITION</b>   |                     |                       |                      | <b>66,590,374</b>    | <b>66,590,374</b>         |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> |                     |                       |                      |                      | <b>\$ 69,919,604</b>      |

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<br>Projects Fund | Total             | Adjustments        | Statement of Net<br>Position |
|--|------------------|--------------------------|-------------------|--------------------|------------------------------|
| <b>REVENUE</b>   |                  |                          |                   |                    |                              |
| 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                    |
| <b>TOTAL REVENUE</b>   | <b>8,097,631</b> | <b>2,244,309</b>         | <b>10,341,941</b> | <b>1,827,665</b>   | <b>12,169,606</b>            |
| <b>EXPENDITURES</b>  |                  |                          |                   |                    |                              |
| 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                    |
| <b>TOTAL EXPENDITURES</b>  | <b>6,429,774</b> | <b>4,229,084</b>         | <b>10,658,858</b> | <b>(1,871,751)</b> | <b>8,787,107</b>             |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b>                         | <b>1,667,857</b> | <b>(1,984,775)</b>       | <b>(316,917)</b>  | <b>3,699,416</b>   | <b>3,382,499</b>             |
| <b>OTHER RESOURCES (USES)</b>  |                  |                          |                   |                    |                              |
| Transfers - Internal Activity  | (1,667,857)      | 1,667,857                | -                 | -                  | -                            |
| Excess (Deficiency) of Revenues & Other Sources<br>Over Expenditures/Expenses & Uses | \$ -             | \$ (316,917)             | \$ (316,917)      | \$ 3,699,416       | \$ 3,382,499                 |
| <b>FUND BALANCE/NET POSITION:</b>  |                  |                          |                   |                    |                              |
| 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<br>Rate | Par<br>Value | Carrying<br>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<br>Customers    | Due From<br>Other Governments | Accrued<br>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<br>Payable     | Security<br>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<br/>October 1, 2023</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance<br/>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<br>10/1/2023 | Increases  | Decreases | Balance<br>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](http://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 TCDRS 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.<br>2017: New mortality assumptions were reflected.<br>2019: New inflation, mortality and other assumptions were reflected.<br>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.<br>2016: No changes in plan provisions were reflected in the Schedule.<br>2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.<br>2018: No changes in plan provisions were reflected in the Schedule.<br>2019: No changes in plan provisions were reflected in the Schedule.<br>2020: No changes in plan provisions were reflected in the Schedule.<br>2021: No changes in plan provisions were reflected in the Schedule.<br>2022: No changes in plan provisions were reflected in the Schedule.<br>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<br>Liability | Fiduciary Net<br>Position | Net Pension<br>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%<br>Decrease<br>6.60% | Current<br>Discount Rate<br>7.60% | 1%<br>Increase<br>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<br/>of Resources</u> | <u>Deferred Inflows<br/>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:

|  | Total OPEB<br>Liability |
|--|-------------------------|
| 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                               | (60,978)                |
| Net Changes                                    | 69,437                  |
| Balance at September 30, 2023                  | \$ 1,836,610            |

**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.

|  | December 31, 2023 |
|--|-------------------|
| 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)                                | \$ 130,415        |

**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%<br>Decrease | Current<br>Discount Rate | 1%<br>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%<br>Decrease | Baseline Trend | 1%<br>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<br>Completion Date | Estimated<br>Contract Amount | Remaining Source<br>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**

|  | <b>BUDGETED AMOUNTS</b>  |                          |                          | <b>FAVORABLE<br/>(UNFAVORABLE)<br/>FINAL TO ACTUAL</b> |
|--|--------------------------|--------------------------|--------------------------|--|
|  | <b>ORIGINAL</b>          | <b>FINAL</b>             | <b>ACTUAL</b>            |  |
| <b>REVENUES</b>  |                          |                          |                          |  |
| Customer Service Fees  | \$ 9,177,548             | \$ 9,177,548             | \$ 8,065,255             | \$ (1,112,293)   |
| Interest   | -                        | -                        | 32,376                   | 32,376   |
| <b>TOTAL REVENUES</b>  | <u>\$ 9,177,548</u>      | <u>\$ 9,177,548</u>      | <u>\$ 8,097,631</u>      | <u>\$ (1,079,917)</u>                                  |
| <b>EXPENDITURES</b>  |                          |                          |                          |  |
| 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   |
| <b>TOTAL EXPENDITURES</b>                                    | <u>7,788,621</u>         | <u>7,788,621</u>         | <u>6,429,774</u>         | <u>1,358,847</u>                                       |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>EXPENDITURES</b> | <u>1,388,927</u>         | <u>1,388,927</u>         | <u>1,667,857</u>         | <u>278,930</u>   |
| <b>OTHER RESOURCES(USES)</b>                                 |                          |                          |                          |  |
| Transfers In (Out)   | (1,388,927)              | (1,388,927)              | (1,667,857)              | (278,930)  |
| <b>NET CHANGE IN FUND BALANCE</b>                            | -                        | -                        | -                        | -  |
| 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 |
|-----------------|--|
| 1990            | 10.5   |
| 1991            | 10.5   |
| 1992            | 10.5   |
| 1993            | 10.5   |
| 1994            | 10.5   |
| 1995            | 10.5   |
| 1996            | 10.5   |
| 1997            | 10.5   |
| 1998            | 10.5   |
| 1999            | 10.5   |
| 2000            | 10.5   |
| 2001            | 10.5   |
| 2002            | 10.5   |
| 2003            | 10.5   |
| 2004            | 10.5   |
| 2005            | 10.5   |
| 2006            | 10.5   |
| 2007            | 10.5   |
| 2008            | 10.5   |
| 2009            | 10.5   |
| 2010            | 10.5   |
| 2011            | 10.5   |
| 2012            | 10.5   |
| 2013            | 10.5   |
| 2014            | 10.5   |
| 2015            | 10.5   |
| 2016            | 10.5   |
| 2017            | 10.5   |
| 2018            | 10.5   |
| 2019            | 10.5   |
| 2020            | 10.5   |
| 2021            | 10.5   |
| 2022            | 10.5   |
| 2023            | 10.5   |
| 2024            | 10.5   |
| 2025            | 10.5   |
| 2026            | 10.5   |
| 2027            | 10.5   |
| 2028            | 10.5   |
| 2029            | 10.5   |
| 2030            | 10.5   |

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

|  | 2024                | 2023               | 2022               | 2021                                | 2020               | 2019               | 2018         | 2017         | 2016        |
|--|---------------------|--------------------|--------------------|-------------------------------------|--------------------|--------------------|--------------|--------------|-------------|
|  |                     |                    |                    | For Fiscal Year Ended September 30, |                    |                    |              |              |             |
| 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              |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| <b>Total OPEB Liability</b>                                    |                     |                     |                     |                     |                     |                     |                     |                   |                   |                   |
| 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)          |
| <b>Net Change in Total OPEB Liability</b>                      | <b>69,437</b>       | <b>64,409</b>       | <b>(1,133,506)</b>  | <b>186,037</b>      | <b>463,441</b>      | <b>702,276</b>      | <b>1,028,007</b>    | <b>68,718</b>     | <b>66,646</b>     | <b>57,271</b>     |
| <b>Total OPEB Liability - Beginning</b>                        | <b>1,767,173</b>    | <b>1,702,764</b>    | <b>2,836,270</b>    | <b>2,650,233</b>    | <b>2,186,792</b>    | <b>1,484,516</b>    | <b>456,509</b>      | <b>387,791</b>    | <b>321,145</b>    | <b>263,874</b>    |
| <b>Total OPEB Liability - Ending</b>                           | <b>\$ 1,836,610</b> | <b>\$ 1,767,173</b> | <b>\$ 1,702,764</b> | <b>\$ 2,836,270</b> | <b>\$ 2,650,233</b> | <b>\$ 2,186,792</b> | <b>\$ 1,484,516</b> | <b>\$ 456,509</b> | <b>\$ 387,791</b> | <b>\$ 321,145</b> |
| <b>Covered Payroll</b>   | <b>\$ 1,649,442</b> | <b>\$ 1,504,984</b> | <b>\$ 1,388,841</b> | <b>\$ 1,283,480</b> | <b>\$ 1,194,225</b> | <b>\$ 1,166,627</b> | <b>1,139,914</b>    | <b>1,145,462</b>  | <b>103,9482</b>   | <b>976351</b>     |
| <b>Total OPEB Liability as a Percentage of Covered Payroll</b> | <b>89.81%</b>       | <b>85.16%</b>       | <b>81.56%</b>       | <b>45.25%</b>       | <b>45.06%</b>       | <b>53.55%</b>       | <b>76.79%</b>       | <b>250.92%</b>    | <b>268.05%</b>    | <b>304.02%</b>    |

**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<br>Charge | Minimum<br>Usage | Flat<br>Rate<br>Y/N | Rate Per 1000<br>Gallons Over<br>Minimum Usage | Usage<br>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<br>Connections | Active<br>Connections | ESFC<br>Factor | Active<br>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:<br>(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<br>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<br>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

|   | <b>2024</b>  | <b>2023</b>  | <b>2022</b>  | <b>2021</b>  | <b>2020</b>  |
|---|--------------|--------------|--------------|--------------|--------------|
| Water Purchased                         | \$ 2,103,630 | \$ 1,976,952 | \$ 2,002,749 | \$ 1,901,263 | \$ 2,035,969 |
| <b>PERSONNEL EXPENDITURES</b>           |              |              |              |              |              |
| 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    |
| <b>PROFESSIONAL FEES</b>                |              |              |              |              |              |
| 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      |
| <b>REPAIRS AND MAINTENANCE</b>          |              |              |              |              |              |
| 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      |
| <b>UTILITIES</b>                        |              |              |              |              |              |
| 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      |
| <b>CAPITAL OUTLAY</b>                   |              |              |              |              |              |
| 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      |
| <b>OTHER EXPENSES</b>                   |              |              |              |              |              |
| 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.

| <b>WAGES PAID</b>          | <b>2024</b>      |
|----------------------------|------------------|
| Regular Wages and Salaries | 1,566,908        |
| Other Pay                  | 27,250           |
| Overtime                   | 33,745           |
| Total Wages Paid           | <u>1,627,903</u> |

| <b>HOURS WORKED</b> |               |
|---------------------|---------------|
| Regular Hours       | 47,799        |
| Overtime            | 834           |
| Total Hours Worked  | <u>48,632</u> |

| <b>WAGES PER EMPLOYEE AT EFTE</b> |              |
|-----------------------------------|--------------|
| Total Employees                   | 26           |
| Hours at Full Time (26 x 2080)    | 54,080       |
| Total Employees Full Time         |              |
| Equivalent(EFTE)*                 | <u>23.28</u> |
| 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<br>NUMBER | INTEREST<br>RATE | MATURITY<br>DATE | CASH AND<br>CASH EQUIVALENTS | INVESTMENTS  | ACCRUED<br>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              |
| <b>REVENUE</b>                         |                  |                     |                  |                   |                  |                  |                    |                  |                   |                   |
| 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            |
| <b>TOTAL REVENUE</b>                   | <b>8,097,631</b> | <b>8,288,728</b>    | <b>8,213,258</b> | <b>7,679,714</b>  | <b>6,694,645</b> | <b>5,950,254</b> | <b>5,495,914</b>   | <b>6,115,468</b> | <b>6,151,804</b>  | <b>5,296,922</b>  |
| <b>EXPENDITURES</b>                    |                  |                     |                  |                   |                  |                  |                    |                  |                   |                   |
| 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         |
| <b>TOTAL EXPENDITURES</b>              | <b>8,097,631</b> | <b>8,561,137</b>    | <b>8,213,258</b> | <b>7,681,842</b>  | <b>6,687,517</b> | <b>5,913,768</b> | <b>5,537,400</b>   | <b>6,115,468</b> | <b>5,951,804</b>  | <b>5,147,922</b>  |
| <b>NET CHANGE IN FUND BALANCES</b>     | <b>\$ -</b>      | <b>\$ (272,409)</b> | <b>\$ -</b>      | <b>\$ (2,128)</b> | <b>\$ 7,128</b>  | <b>\$ 36,486</b> | <b>\$ (41,486)</b> | <b>\$ -</b>      | <b>\$ 200,000</b> | <b>\$ 149,000</b> |

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       |
| <b>REVENUE</b>                     |              |            |              |             |            |              |              |              |              |            |
| 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  |
| <b>TOTAL REVENUE</b>               | 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  |
| <b>EXPENDITURES</b>                |              |            |              |             |            |              |              |              |              |            |
| 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  |
| <b>TOTAL EXPENDITURES</b>          | 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  |
| <b>NET CHANGE IN FUND BALANCES</b> | \$ (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 |
|-------------------------------------|--|--|-------------------------------|---------------------------------------|----------------------|
| <b>BOARD MEMBERS</b>                |  |  |                               |                                       |                      |
| 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                  |
| <b>KEY ADMINISTRATIVE PERSONNEL</b> |  |  |                               |                                       |                      |
| 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                   |
| <b>CONSULTANTS</b>                  |  |  |                               |                                       |                      |
| 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 General 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 \$\_\_\_\_,\_\_\_\_,\_\_\_\_ “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 *Insurance Policy* shall mean the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

P. The term *Insurer* shall mean \_\_\_\_\_, or any successor thereto or assignee thereof.

Q. 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.

R. 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.

S. 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.

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

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

V. 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.

W. 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.

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

Y. 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.

Z. 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.

AA. 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.



BB. 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.

CC. 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 \$\_\_\_\_\_ (of which \$\_\_\_\_\_ 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 \$\_\_\_\_\_ 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 General 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 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. In making a determination of the Net Revenues, the General 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 General 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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